

**To: All holders of an electricity transmission licence
Electricity Act 1989
Section 11A(1)(b)**

Modification of the standard conditions of all electricity transmission licences

1. Each of the licensees to whom this document is addressed has an electricity transmission licence which has been granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (the Act).
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 25 November 2015 ('the Notice') that we propose to modify standard condition C13. We stated that any representations to the modification proposal must be made on or before 23 December 2015.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 16 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying letter.
5. SLC C13 was put in place to provide equal treatment between small generators connected to the 132kV network in Scotland and those in England and Wales while enduring arrangements for transmission charges for embedded generation are developed. The reason why the Authority is making this licence modification is to provide for the discount to remain in place until it expires on 31 March 2019 while these arrangements are developed. If enduring arrangements are not developed before the expiry date in 2019, this further extension does not provide any assurance as to the continuation of the discount beyond 2019. Similarly, if a decision on enduring arrangements is made before 31 March 2019, the discount may be discontinued prior to the new expiry date.
6. The effect of the modification will be to amend the expiry date for SLC C13 from 31 March 2016 to 31 March 2019.
7. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(b) of the Act, we hereby modify the standard licence conditions for all electricity transmission licences in the manner specified in attached Schedule 1. This decision will take effect from 31 March 2016.

This document is notice of the reasons for the decision to modify the electricity transmission licences as required by section 49A(2) of the Act.

The Official Seal of the Gas and Electricity Markets Authority

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

here affixed is authenticated by the signature of

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Frances Warburton
Partner, Electricity Systems Integration

Duly authorised on behalf of the
Gas and Electricity Markets Authority

22 January 2016

Schedule 1: Licence Drafting

Condition C13: Adjustments to use of system charges (small generators)

1. When calculating use of system charges (other than charges relating to the provision of balancing services) to eligible generators the licensee shall set a charge in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) less a designated sum.
2. When calculating use of system charges (other than charges relating to the provision of balancing services) to customers who are taking demand from the national electricity transmission system the licensee shall set charges in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) plus a unit amount (to be added to all such charges on a non-discriminatory and non-locational basis) such that the net effect of this condition on total sums charged for and recovered by the licensee in respect of the period in which this condition is in effect is zero. The licensee shall ensure that the net sums recovered for any given year are as far as practicable zero.
3. The licensee shall publish sufficient information in a timely manner such that all parties whose use of system charges are or may be adjusted in accordance with this condition are able to make a reasonable estimate of how use of system charges have been affected by the provision contained within this condition. To the extent that net sums recovered for any given year might not be equal to zero, the licensee shall also publish sufficient information to enable affected parties to make a reasonable estimate of how any over or under-recovery in respect of that year made pursuant to this condition will affect adjustments to charges for the following year.
4. The Authority shall be entitled to issue a direction pursuant to this condition at any time stating that, with effect from 1 April immediately following the issuing by the Authority of such a direction, the designated sum shall be equal to zero.
5. This condition shall have effect for the Licensee's charges for the period ending on ~~31 March 2016~~ 31 March 2019.
6. For the purposes of this condition:
 - "eligible generator" means a generating station which:
 - (a) is liable for generation transmission network use of system charges (or its equivalent) under the use of system charging methodology approved by the Authority in accordance with standard condition C4 (Charges for use of system); and
 - (b) is connected to the national electricity transmission system at a voltage of 132 kilovolts; and
 - (c) would not, on the basis of its maximum generating capacity, be liable for generation transmission network use of system charges (or its equivalent) if it were connected to the distribution system of a licensed distributor rather than to the national electricity transmission system.
 - "designated sum" means such sum as shall be directed by the Authority as soon as practicable after the determination of an approved use of system charging methodology in accordance with standard condition C4 (Charges for use of system).

Schedule 2: Relevant Licence Holders³

National Grid Electricity Transmission Plc
1-3 Strand
London
WC2N 5EH

³ Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>