

**To: Scottish Hydro Electric Transmission Plc (company no. SC213461)  
SP Transmission Plc (company no. SC189126)**

**Electricity Act 1989  
Section 11A(1)(a)**

**Modification of Special Condition 8C of the electricity transmission licence held by  
Scottish Hydro Electric Transmission Plc and by SP Transmission Plc**

1. Scottish Hydro Electric Transmission Plc and SP Transmission Plc are each the holders of an electricity transmission licence ('the Licence') 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')<sup>1</sup> gave notice on 20 November 2015 ('the Notice')<sup>2</sup> that we propose to modify Special Condition 8C: 'Basis of transmission owner charges' of the Licence. We stated that any representations to the modification proposal must be made on or before 21 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 two responses to the Notice. Both respondents were content with the proposed changes. We have placed these non-confidential responses on our website.<sup>3</sup>
5. We are making these licence changes because we consider that the changes proposed will improve the process for producing the annual TO charging statements by providing greater clarity on what we approve. The detailed reasons for and effects of the modification have been set out in a letter published alongside this 'reasons notice'.<sup>4</sup>
6. In the accompanying letter published alongside this 'reasons notice', we have outlined our decision on other changes we proposed which do not require licence changes.
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 Rules<sup>5</sup> 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)(a) of the Act, we hereby modify Special Condition 8C in each of the electricity transmission licences of Scottish Hydro Electric Transmission Plc and SP Transmission Plc in the manner specified in attached Schedule 1. This decision will take effect from 20 April 2016.

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

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/proposed-changes-way-statements-basis-transmission-owner-charges-are-produced-and-statutory-consultation-modifying-special-condition-8c-basis-transmission-owner-charges>

<sup>3</sup> Ditto

<sup>4</sup> Ditto

<sup>5</sup> 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.

This document is notice of the reasons for the decision to modify the electricity transmission licence held by Scottish Hydro Electric Transmission Plc and by SP Transmission Plc as required by section 49A(2) of the Act.

**The Official Seal of the Gas and Electricity Markets Authority  
here affixed is authenticated by the signature of**

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**Frances Warburton  
Partner, Energy Systems Integration  
Duly authorised on behalf of the  
Gas and Electricity Markets Authority**



**22 February 2016**

## Schedule 1: Licence Drafting

[Additions to the current licence condition are shown as double underline text. Deletions are shown as strikethrough text.]

### Special Condition 8C. Basis of transmission owner charges

1. The licensee shall as soon as practicable after this licence has come into force and, in any event, not later than such date as the Authority shall specify prepare a statement in a form approved by the Authority setting out the basis upon which charges will be made
  - (a) for transmission owner services;
  - (b) for connection to the licensee's transmission system, such statement to be in such form and to contain such detail as shall be necessary to enable the system operator to make a reasonable estimate of the charges to which it would become liable for the provision of such services, and (without prejudice to the foregoing) including ~~such of~~ the information set out in paragraph 2 as is required by such paragraph to be included in the relevant statement; and
  - (c) for outage changes.
2. The statement referred to in paragraph 1 shall in respect of connections to the licensee's transmission system include:
  - (a) a schedule listing those items (including the carrying out of works and the provision and installation of electric lines or electrical plant or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points) to the licensee's transmission system for which site specific charges may be made or levied and including (where practicable) indicative charges for each such item and (in other cases) an explanation of the methods by which and the principles on which such charges will be calculated;
  - (b) the methods by which and the principles on which site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;

- (c) the methods by which and the principles on which any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's transmission system;
  - (d) the methods by which and the principles on which any charges will be made for disconnection from the licensee's transmission system and the removal of electrical plant, electric lines and ancillary meters following disconnection; and
  - (e) such other matters as shall be specified in directions issued by the Authority from time to time for the purpose of this condition.
3. Site specific charges for those items referred to in paragraph 2 shall be set at a level which will enable the licensee to recover:
- (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the licensee's transmission system or the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and
  - (b) a reasonable rate of return on the capital represented by such costs.
4. In addition to, and without prejudice to, the licensee's obligations under paragraph 1, the licensee shall, upon being directed to do so in directions issued by the Authority from time to time for the purposes of this condition and within such period as shall be specified in the directions, prepare a statement or statements in a form approved by the Authority providing that charges
- (a) for transmission owner services;
  - (b) for connection to the licensee's transmission system; and
  - (c) for outage charges

will be made on such basis as shall be specified in the directions and such statement or statements shall be in such form and contain such detail as shall be necessary to enable the system operator to make a reasonable estimate of the charges to which it would become liable for the provision of such services and (without prejudice to the foregoing)

including such information as shall be specified in the directions. Each statement prepared in accordance with this paragraph shall, ~~with effect from the date on which it is approved by the Authority or such later date as the Authority shall specify,~~ replace the corresponding statement prepared by the licensee in accordance with paragraph 1 or, as the case may be, this paragraph (as from time to time revised in accordance with paragraph 5) which is in force at such date and the licensee shall, with effect from such date make charges in accordance with the statement (as from time to time revised in accordance with paragraph 5) which has replaced such corresponding statement.

5. The licensee may periodically revise the statements in accordance with paragraphs 1 and 4 and shall, at least once in every year this license is in force, make any necessary revisions to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.
6. ~~The licensee shall send a copy of the statements prepared in accordance with paragraphs 1 and 4, and of each revision of such statements in accordance with paragraph 5, to the Authority. Each such~~ Any revision to the form of the statement shall require to be approved by the Authority and shall not become effective until approved by the Authority.
7. The licensee shall give or send a copy of the statements prepared in accordance with paragraphs 1 and 4 or (as the case may be) of the latest revision of such statements in accordance with paragraph 5 in a form approved by the Authority pursuant to such paragraph to any person who requests a copy of such statement or statements.
8. The licensee may make a charge for any statement given or sent pursuant to paragraph 7 of an amount reflecting the licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

## Schedule 2: Relevant Licence Holders<sup>6</sup>

Scottish Hydro Electric Transmission plc Inveralmond House 200 Dunkeld Road Perth Perthshire PH1 3AQ	SP Transmission plc 1 Atlantic Quay Robertson Street Glasgow G2 8SP
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<sup>6</sup> Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>