



All Offshore Transmission  
Licensees  
Other interested parties

*Promoting choice and value for  
all gas and electricity customers*

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Date: 31 May 2016

Dear Colleague,

### **Consultation on proposed modifications to the electricity transmission licence**

The purpose of this letter is to set out and consult on proposals to modify the standard licence conditions of the electricity transmission licence (the Licence) granted or treated as granted under 6(1)(b) of the Electricity Act 1989 (the Act).

Details of how to respond to this consultation are set out below. Any representations on the proposed licence modifications set out in this consultation must be made in writing on or before 30 June 2016.

The RIIO Licence Consultation made changes to the SLCs in Sections B, C and D of the Licence. None of these sections have effect in OFTO licences and therefore did not directly impact OFTOs. We previously notified licensees that we were considering the impact of these changes on section E of the transmission licence. We now propose to make the following changes to the standard conditions of the electricity transmission licence:

1. Modify standard condition E2: consistent with proposed changes to Standard Condition B1 (Regulatory Accounts) which includes segmental reporting and updating the reference to the Companies Act from 1985 to 2006, including the addition of the reporting and record keeping requirements of the Companies Act 2006. This condition will also include the definition of "financial year" previously covered by SLC E3 (see below).
2. Remove standard condition E3: we propose to remove this condition and replace it with the words 'Not Used'. The definition of "financial year" would be superseded by proposed changes to SLC E2 (Regulatory Accounts) as the definition would be included in the new drafting of SLC E2. As such SLC E3 would be rendered obsolete.
3. Modify standard condition E2 to allow for first year regulated accounts to be included in second year accounts, where the licence is granted in the period January to March. This would relieve the burden on Offshore Transmission Owners (OFTOs) to produce regulatory accounts for that short period of time and allow those accounts to be included the following year.
4. Modify standard licence condition E10 paragraph 6 to include DBRS Ratings Limited as a standard provider of 'instrument credit ratings'. This is consistent with our policy, set out in our open letter of 22 October 2014.
5. Modify standard licence condition E11 to allow for circumstances where statutory accounts are not available at licence grant. As special purpose vehicles, some

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offshore licensees will not have statutory accounts available at licence grant. Statutory accounts will only be available at the end of the first period of accounting.

6. Modify standard condition B18 and E21 to clarify the powers of the Authority to appoint an OFTO of Last Resort following a generator build tender exercise.
7. Housekeeping changes to standard conditions:
  - a) B1 and E2 to amend the definition of UK Listing Authority to reflect changes made by the Financial Services Act 2012
  - b) E8 to amend references to "statutory accounts", to correctly read "regulatory accounts", and
  - c) E10 to amend paragraph 1c) to be part of paragraph 1b) and amend numbering of subsequent bullets.
8. Modify the definitions in standard condition A1 to reflect changes that follow from changes to the conditions above, namely:

"financial year"	As a result of the removal of standard conditions E3, proposed above
"generator build tender exercise"	As a result of changes to SLC B18 and E21
"investment grade"	To include DBRS as a standard provider of instrument credit ratings
"instrument credit rating"	To include DBRS as a standard provider of instrument credit ratings, and, so Standard and Poor's entry reads "a long-term issue credit rating"

The proposed modifications are detailed in Annex 1 to this letter. The modifications should be read in conjunction with the standard licence conditions granted to all transmission licensees. These licence conditions can be accessed on Ofgem's Electronic Public Register .

### **Consultation Responses**

Responses to this consultation must be received on or before 30 June 2016. All responses should be sent to Yvonne Naughton, Offshore, Ofgem, 3rd Floor, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, or by email to [offshorelicensing@ofgem.gov.uk](mailto:offshorelicensing@ofgem.gov.uk).

Please note, unless marked confidential, we will publish all responses on our website. Respondents may request that their response is kept confidential. We will respect these requests, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

**Yours faithfully,**

**Yvonne Naughton**  
**Senior Policy Manager, Networks**