

**To: All holders of an electricity transmission licence**

**RIIO-ET1 Modifications to amend the standard conditions of the electricity transmission licence and reasons for decision pursuant to section 11A and 49A of the Electricity Act 1989**

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

**MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY TRANSMISSION LICENCES GRANTED UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989.**

Whereas –

1. Each of the companies to whom this document is addressed (the “Licence Holder”) has been granted an electricity transmission licence (”the Licence”) under section 6(1)(b) of the Electricity Act 1989 (”the Act”) to participate in the transmission of electricity subject to the conditions contained in the Licence.
2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority (”the Authority”) gave notice on 21 December 2012 (”the Notice”) that it proposed to make modifications to the following standard conditions of the Licence:
  - Condition A1. Definitions and Interpretation
  - Condition B1. Regulatory Accounts
  - Condition B2. Change of financial year
  - Condition B4. Provision of information to the Authority
  - Condition B15. Price control Review Information, and
  - Condition C4. Charges for use of system

(together ”the Conditions”) as set out in Schedule 1 to the Notice to implement the Authority’s decision on the RIIO-ET1 price control – Final Proposals<sup>1</sup>, and requested any representations as to the modifications to be made on or before 22 January 2013.

3. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modifications.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received responses from the 4 Licence Holders to the proposed modifications to the standard conditions. The Authority also received 6 responses to the RIIO-T1 and GD1 proposed modifications. All non-confidential responses will be available on the Ofgem website.
5. The Authority has carefully considered in relation to the proposed modifications all representations received.
6. The modifications to the standard conditions of the Licence are set out in Schedule 1 to this modification.

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<sup>1</sup> [RIIO-T1 : Final Proposals for National Grid Electricity Transmission and National Grid Gas](#)

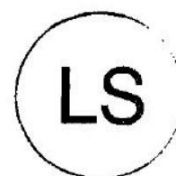
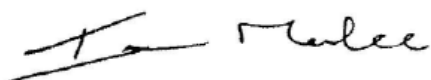
7. The Authority also considers it necessary to make a number of minor changes to the modifications set out in the Notice. These are indicated in the attached Schedule 3.
8. In accordance with section 49A of the Act and in summary, the reason why the Authority is making these licence modifications is to give effect to the new RIIO (Revenue = Incentives + Innovation + Outputs) regulatory framework.
9. Schedule 2 of the Notice sets out the reasons and effect of the modifications.
10. In accordance with section 11A(7)(d) of the Act, Schedule 3 of this modification states the reasons for any differences between the proposed modifications set out in the Notice and the modifications set out in the attached Schedule 1.
11. Schedule 4 provides a list of relevant licence holders in relation to this modification.

**Now therefore**

In accordance with the powers contained in section 11A(1)(b) of the Act and for the reasons set out in the Notice and Schedule 2 of this modification, the Authority hereby modifies the Conditions in the manner specified in attached Schedule 1. This decision will take effect on and from 1 April 2013.

This document constitutes notice of the reasons for the decision to modify the electricity transmission licences as required by section 49A 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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**Ian Marlee, Senior Partner Smarter Grids and Governance (transmission)  
Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**31 January 2013**

## **Schedule 1 - Modifications of the standard conditions of the electricity transmission licence**

A copy of the modifications of the Standard Conditions of the electricity transmission licence can be found on Ofgem's website at:

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/ETSCmods.pdf>

## Schedule 2 – Reasons and effect of modifications to the Standard Conditions of the electricity transmission licence

Standard Condition	Reasons for modification	Effect of modification
A1. Definitions and Interpretation	These consequential changes are required as a result of licence changes and legislative changes.	Provides up to date and accurate references to definitions and other licence conditions.
B1. Regulatory Accounts	The changes are necessary in a number of areas in this condition to ensure that it remains up to date and correctly refers to up to date regulations and requirements.	Provide greater clarity and ensure that the condition remains up to date and correctly refers to the relevant regulations and requirements.
B2. Change of financial year	The modification removes this condition by substituting the title and entire text with the words “Not Used”, because the definition of “financial year” has been superseded by proposed changes to Standard Condition B1. Regulatory Accounts. As such this condition has been rendered obsolete.	Removes obsolete condition/definition from the licence.
B4. Provision of information to the Authority	This Standard Condition places an obligation on transmission licensees to provide such information and procure and provide such reports that the Authority may reasonably require in order to perform its functions. The purpose of the changes is to include all current relevant statutes and enactments and allow for any future statutes to be included.	These changes create an up to date licence condition.
B15. Price control Review Information  Name being changed to “Regulatory Instructions and Guidance”.	To consolidate the governance and instructions for the reporting of regulatory information into a single licence condition.	To remove the need for other reporting related provisions within other conditions in the licence, provide clarity and, where possible, provide consistency in the reporting of regulatory information.  Having a single licence condition has not altered the broad types of information that the energy network companies will need to provide.

B16. Price Control Revenue Reporting and Associated Information	To remove this condition by substituting the title and entire text with the words 'Not Used' because the purpose of the new B15: Regulatory Instructions and Guidance Licence Condition is to consolidate the governance and instructions for the reporting of regulatory information.	Removes obsolete condition from the licence.
B17. Methodology for Network Output Measures	To remove this condition by substituting the title and entire text with the words 'Not Used', because this condition is now a 'Special' rather than 'Standard' Condition.	Remove a condition that has become a Special Condition.
B23. Data Assurance requirements	The purpose of this new licence condition is to require licensees to undertake data assurance processes and activities to reduce the risk, and subsequent impact and consequences, of any inaccurate reporting, incomplete reporting or misreporting of data to the Authority.	The effect of this new condition is to create, and provide governance for, the Data Assurance Guidance (DAG) to be incorporated into the licence by way of licence modification in 1 April 2015.  Until the new Data Assurance licence condition is switched on, the data assurance requirements will remain as they are set out under the individual licence conditions.
<b>Section C Conditions – Applicable to NGET only</b>		
C1. Interpretation of Section C	We have changed the definition of "balancing services activity" to include reference to Special Condition 4A (Restriction of System Operator internal revenue). This modification is necessary to update the definition of "balancing services activity" in light of the new Special Conditions.	The effect of this change is to update the definition of "balancing services activity" to ensure consistency and correct operation of the new Special Conditions.
C4. Charges for use of system	We have changed this condition to restrict the frequency of when the licensee can change its charges to once per year on 1 April. It also provides for the Authority to direct or consent to	The effect of this change is to reduce charging volatility and is consistent with our decision to implement measures to mitigate charging. <sup>2</sup>

<sup>2</sup> Decision on measures to mitigate charging volatility arising from the price control settlement (Oct 2012): <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=404&refer=Networks/Policy>

	changes on a date other than 1 April where it considers it will be in the best interests of consumers.	
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### Schedule 3 - Reasons for differences between the modifications and those set out in the Notice

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
<b>Standard Condition All</b>				
	Throughout	There are a number of typographical errors.	Typographical errors have been corrected throughout the licence conditions.	Y
NGET	Throughout	<p>Need to ensure that licence conditions use capitalised/non-capitalised definitions consistently. As drafted, the conditions as modified would use a number of terms that are defined with a lower case in condition A1 incorrectly, because the terms, when used in specific conditions, are used in upper case. This will create the potential for confusion with the users of this licence who may perceive that there is a difference between the capitalised and uncapitalised versions of particular defined terms.</p> <p>Where possible, defined terms should also be used consistently between the standard and special conditions, albeit subject to Ofgem's policy of seeking to use capital letters for defined terms in Special Conditions.</p> <p>In this context, it needs to be remembered that there is currently no prospect of a general</p>	We have amended defined terms in the standard conditions so all appear in lower case. These capitalisation changes are made to ensure consistency throughout the standard conditions and avoid confusion.	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		revision of the terms of the electricity transmission licences which could be used to clarify any confusion caused by the use of a mixture of uses of defined terms in upper and lower case.		
Standard Condition A1				
SP Trans.	A1 para 1	“Relevant Year” definition is too narrow in scope as it is used in numerous other conditions. Please replace by “means a 12 month period commencing on 1 April.”	The definition of “relevant year” in condition A1 is sufficiently broad in scope. Where the term “relevant year” appears in conditions other than those specified in its definition in A1, it is separately defined within those conditions.	N
N/A (see SHE Transmission’s comment below regarding B15 para.2)	A1 para 1	The term final proposals, as used in B15 para 2, should be defined (see comment below regarding B15 para 2).	To avoid any ambiguity as to meaning of the phrase ‘final proposals’ as used in these conditions, the following definition of ‘final proposals’ has been included in condition A1 para 1:  ““final proposals” means the documents entitled RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas – Overview (Reference number: 169/12), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 17 December 2012; RIIO-T1	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
			Final Proposals for SP Transmission Ltd and Scottish Hydro Electric Transmission Ltd (Reference number: 58/12), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 23 April 2012; and RIIO-T1: Final Proposals update letter in respect of the statutory consultation on the licence modifications for SP Transmission Ltd and Scottish Hydro Electric Transmission Plc (Reference number: 193/12), which was published on 21 December 2012.'	
<b>Standard Condition B1</b>				
NGET	B1 para 6	Incorrect internal cross-reference.	The reference to paragraph 4 has been replaced with a reference to paragraph 5, to correct this cross-reference.	Y
NGET	B1 para 14(c)	Incorrect internal cross-reference.	The reference to paragraph 17 has been replaced with a reference to paragraph 14(b), to correct this cross-reference.	Y
NGET	B1 para 22(b)	Capitalise reference to "UK corporate governance code" and "Listing Rules and Interpretations" as these are the proper names of these documents: See, for example the code published by the Financial Reporting Council.	The reference to "UK corporate governance code" has been capitalised as this is the proper name of this document.  No change is made to the reference to "Listing Rules and interpretations", as this is not a reference to a single document but	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
			rather refers to any and all such rules and interpretations promulgated by the UK Listing Authority.	
NGET	B1 para 23	Delete 'for the Consolidated Transmission Business' as it is superfluous.	The words "for the Consolidated Transmission Business" in paragraph 23 of this condition are deleted as they are superfluous.	Y
NGET	B1 para 24	<p>Definition of System Operator Activity. This refers to the definition of "balancing services activity" as defined in Standard Condition C1 (Interpretation of Part C). Because of the removal of the system operator internal incentive from Special Condition AA5A, this definition in no longer works and requires amendment to refer to the correct provisions of the RIIO ET1 licence regime.</p> <p>The definition of "balancing services activity" in Standard Condition C1 (Interpretation of Section C) needs to be amended to read:</p> <p>"means the activity undertaken by the licensee as part of the transmission business including the co-ordination and direction of the flow of electricity onto and over the national electricity transmission system, the procuring and using of balancing services for the purpose of balancing</p>	The definition in standard condition C1 should be amended as a consequential change to the licence modifications. This change is detailed below under Standard Condition C1.	Y(C1)

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		the national electricity transmission system and for which the licensee is remunerated under Part 2 of special condition AA5A (Revenue restriction provision) <b>and Special Condition 4A (Restriction of System Operator internal revenue)</b> of the licensee's transmission licence." <b>[NEW TEXT IN BOLD]</b>		
<b>Standard Condition B15</b>				
NGET	B15 para 2	<p>The expression "Special Conditions" is not defined. We suggest that a reference to the "Relevant Special Conditions" as defined in Special Condition 1A of the NTS and DN special conditions be used instead and that Condition A40 refer to that definition.</p> <p>Paragraph 2 should read as follows:</p> <p>..."needs to enable it to administer the Relevant Special Conditions of this license (as that term is defined in Special Condition 1A (Definitions) or Special Condition 1A (Restriction of revenue in respect of the Distribution Network Transportation Activity: Definitions), whichever is in force in this licence)."</p>	No change is made as we consider the drafting to be clear.	N
NGET	B15 para 2	We do not consider that the reference to Final Proposals (which in any event are undefined) is necessary as those proposals are expressed in	Our view is that the reference to final proposals is necessary here, as Final Proposals sets out reporting requirements	N

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		obligations on the licensee set out in the Special Conditions.	for some elements that are not in the licence (such as BCF).	
SHE Trans.	B15 para 2	The term 'Final Proposals' is not defined in this condition, proposed amendment to Standard Condition A1 or Special Condition 1A. Whilst we do not believe this is a material error, we do suggest that an appropriate definition is incorporated in one of these conditions prior to the modification taking effect.	See above: the definition of 'final proposals' has been included in condition A1 to avoid any ambiguity in the use of this phrase.	Y (A1)
NGET	B15 paras 3(b), 4(c) and 5(b)	This condition confuses the use of: <ul style="list-style-type: none"> <li>- "Information" (which should be in lower case as it is defined in lower case in Standard Special Condition A3; and</li> <li>- The defined the term "Specified Information" in paragraph 3(a).</li> </ul> <p>These terms need to be used consistently.</p>	We consider the drafting to be clear and this proposed change is therefore not accepted. However, for consistency and clarity "information" here is no longer capitalised (in accordance with the above).	N
NGGT & NGGD	B15 para 9	Should refer to "this" licence.	We agree that the wording should be more specific. We have amended this part of the condition to read "...requirements provided for in these standard conditions as they were in force as at 31 March 2013".	Y
NGGT & NGGD	B15 para 16	Correct cross-reference required. Replace reference to Special Condition 1B.	We agree that the cross-reference is incorrect. We have added a definition in the condition (instead of using a cross-reference).	Y
WWU	B15 para 16	The protection for legal privilege is incomplete as	We agree. We have added the words "or	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		<p>it needs to include the words of the documents “or give any information”.</p> <p>Suggested wording:  ‘Nothing in this condition shall require the Licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court’.</p>	<p>give any information” to make the protection for legal privilege complete.</p>	
<b>Standard Condition B23</b>				
NGET	B23 para 3(a)	<p>The DAG is not incorporated into the licence by licence modification, but rather its obligations are imposed on the licensee by the wording of paragraph 3(a) that “the licensee must.... comply with the provisions of the Data Assurance Guidance (“the DAG”)...the scope and contents of which are set out in Part C of this condition, as if it were a condition of this licence.” As such the words “being a document that will be incorporated into this licence condition by way of licence modification” should be deleted as they are inaccurate and misleading.</p>	<p>We have not made this proposed change, because the issuing of the DAG will be via licence modification. This will allow licensees the opportunity to appeal on merits on the introduction of the DAG. This addresses the concern of the licensees that they did not have sight of the DAG when accepting this condition.</p>	N
WWU	B23 para 3(b)	<p>We raised our concerns over this Condition at the last licence drafting meeting. In terms of double jeopardy we pointed out that this Condition is actually dealing with data risk assessment processes not the accuracy of information as such. If this Condition remains in,</p>	<p>We have not made this proposed change. Any breach concerning data accuracy will come under the relevant conditions (i.e. RIGs) rather than the DAG. Licensees will not be subjected to double jeopardy. Paragraph 4 makes this point “Data provided to the</p>	N

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		<p>it will enable Ofgem to take enforcement for breach of this <u>and</u> of the substantive condition elsewhere in Licence for the provision of information. Ofgem, at the meeting, said that there was no intention for there to be double jeopardy and this Condition would only apply when switched on, when the other Conditions will be switched off. We see it as impossible to switch the other Conditions off because they deal with the details of the information itself.</p> <p>Possible removal of paragraph.</p>	<p>level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition”.</p> <p>Licensees will be in breach on the data assurance condition if they do not comply with the DAG.</p> <p>There is also currently no obligation to provide accurate and complete information in the licence, although it is implicit. Here we make it explicit.</p>	
NPg	B23 para 3(c)	In the third line of subparagraph (c) of paragraph 3, “its best endeavours” should be changed to “reasonable endeavours”, to avoid the potential for conflict with the constraints introduced in paragraph 12.	We have not made this proposed change, as it is our view that there is no conflict here. This will therefore remain as “best endeavours”.	N
NPg	B23 para 3(e)	In the second line of subparagraph (e) of paragraph 3, “a report that contains” should be changed to “reports that variously contain”. The licensee will never be in a position (and is not required by the licence) to provide “a (single) report” in timely fashion that contains all four of the items listed in subparagraph (e), since they are not all due to be produced at the same time of the year. Thus items (i) and (ii) may be	We have made the change as proposed, as we are not seeking a single report as the wording suggests but rather separate submissions. The full detail of these will be set out in the DAG.	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		expected to be produced and submitted together, but item (iii) will be a separate submission, and item (iv) (if required) may or may not be able to accompany item (iii).		
NGET	B23 para 12	“Potential errors” are only referred to once and, therefore, grammatically, should not take the definite article (which implies that they have previously referred to or defined). We suggest deletion of “the” before “potential errors” and replace with “any”.	We accept the concern but have changed to condition by replacing “the potential errors” with “data reporting errors” to address the issue raised and also to read in line with our intention.	Y
NGET	B23 Part D	Part D needs to refer to issue or modification. Of the DAG consistently (in line with the approach in 15(a)(ii). Insert “issued or” before “modified” in paragraph 14 and “issued or” before “modified” in first part of paragraph 15.	Paragraph 15(a)(ii) of Part D of condition B23 is amended to remove reference to issuing the DAG. Part D of condition B23 is concerned only with modification of the DAG, so references to issue of the DAG are removed as unnecessary.	Y
NPg	B23 para 15	The words “setting out the text of the DAG to be ..... modified” in subparagraph (a)(ii) of paragraph 15 are inadequate in their meaning. For a modification, merely setting out the text to be modified will be insufficient – licensees will also want to be shown in what way it is proposed to modify such text (and no doubt Ofgem would intend to show this), but that is not encompassed within the meaning of the words used in the current drafting.	As above.	Y
SHE Trans.	B23 para	As the over-arching paragraph (15(a)) has been	As above.	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
	15(a)(ii)	amended to only deal with instances when the DAG is modified, we do not believe references to issuing the DAG are required here. We therefore propose that <i>“issued or (as the case may be) and “issue or”</i> are deleted so that the subparagraph reads <i>“setting out the text of the DAG to be modified and the Authority’s reasons for proposing to modify it”</i> .		
NGET	B23 Part F	Delete “derogation” as the term is not used – the paragraph refers to “the direction”.	We have not made this proposed change, as this paragraph defines “derogation” for the purposes of this part.	N
<b>Standard Condition C1</b>				
NGET	C1 para 1	The definition of “balancing services activity” in Standard Condition C1 (Interpretation of Section C) needs to be amended to read:  “means the activity undertaken by the licensee as part of the transmission business including the co-ordination and direction of the flow of electricity onto and over the national electricity transmission system, the procuring and using of balancing services for the purpose of balancing the national electricity transmission system and for which the licensee is remunerated under Part 2 of special condition AA5A (Revenue restriction provision) <b>and Special Condition 4A (Restriction of System Operator internal revenue)</b> of the licensee's transmission licence.” <b>(NEW TEXT IN</b>	The definition of ‘balancing services activity’ in standard condition C1 is amended as suggested. This is change is made as a consequential change resulting from other modifications. It is necessary to bring the definition in C1 in line with usage of the term in the modified licence conditions.	Y

Standard Conditions - comments				
Comment From	Para Ref in the statutory consultation	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the Notice	Change made to licence (Y/N)
		<b>BOLD)</b>		

## Schedule 4 – List of relevant licence holders

National Grid Electricity Transmission Plc	1-3 Strand, London, WC2N 5EH, Great Britain
Scottish Hydro Electric Transmission Plc	Inveralmond House, 200 Dunkeld Road, Perth, Perthshire, PH1 3AQ, Great Britain
SP Transmission Limited	1 Atlantic Quay, Robertson Street, Glasgow, G2 8SP, Great Britain
TC Barrow OFTO Limited	Two London Bridge, London, SE1 9RA, United Kingdom
TC Gunfleet Sands OFTO Limited	Two London Bridge, London, SE1 9RA, United Kingdom
TC Ormonde OFTO Limited	Two London Bridge, London, SE1 9RA, United Kingdom
TC Robin Rigg OFTO Limited	Two London Bridge, London, SE1 9RA, United Kingdom
Blue Transmission Walney 1 Limited	c/o Dundas & Wilson, Northwest Wing, Bush House, Aldwych, London, WC2B 4EZ, Great Britain
Blue Transmission Walney 2 Limited	The American Barns, Banbury Road, Lighthorne, Warwick, Warwickshire, CV35 0AE, Great Britain