

To: All holders of an electricity transmission licence

**Electricity Act 1989
Section 11A(2)**

Notice of statutory consultation on a proposal to modify the standard conditions of all electricity transmission licences

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the standard conditions of all electricity transmission licences granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending standard licence conditions:

- A1: Definitions and interpretation
- B1: Regulatory Accounts
- C1: Interpretation of Section C
- C2: Prohibited activities
- C5: Use of system charging methodology
- C6: Connection charging methodology
- C17: Transmission system security standard and quality of service
- C26: Requirements of a connect and manage connection

2. We are proposing these modifications to update and maintain the consistency of the electricity transmission licence following the partial transfer of National Grid Electricity Transmission Plc's ('NGET') electricity transmission licence to National Grid Electricity System Operator Limited ('NGESO') who will take over NGET's existing electricity system operator functions. In addition, some of the proposed modifications will correct legacy references to Special Condition AA5A, which had previously been replaced by Special Condition 4C.

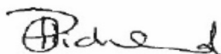
3. The effect of these proposed modifications, which are set out in the schedule to this notice, will be to reflect accurately the new arrangements that will be in place once NGESO takes over the electricity system operator functions from NGET.

4. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively they are available from foi@ofgem.gov.uk.

5. Any representations with respect to the proposed licence modifications must be made on or before 24 July 2018 to: Grendon Thompson, Office of Gas and Electricity Markets, Energy Systems Transition Team, 10 South Colonnade, London, E14 4PU; or by email to electricitySOreform@ofgem.gov.uk.

6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.

7. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.



.....
Philippa Pickford
Duly authorised on behalf of the Gas and Electricity Markets Authority
24 May 2018

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

Schedule

Proposed modifications to Standard licence conditions (SLC)

We have included the sections of the SLCs we have proposed to remove or amend below. Deletions are shown in strike through and new text is double underlined.

A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

"licensee's transmission system" means those parts of the national electricity transmission system which are owned by a transmission owner within its transmission area or operated by a transmission licensee ~~within its transmission area~~.

B1: Regulatory Accounts

24. For the purposes of this condition:

transmission owner activity means:
(~~in respect of the system operator~~), shall bear the same meaning as the definition of "transmission owner activity" ~~in standard condition C1 (Interpretation of Section C)~~; and
(~~in respect of transmission owners~~) the activity permitted to the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section D (transmission owner standard conditions) Direction and where Section D remains in effect whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject);

C1: Interpretation of Section C

1. In the standard conditions in this Section unless the context otherwise requires:

"balancing services activity" 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)~~ Special Condition 4C (Balancing Services Activity Revenue Restriction on External Costs) and Special Condition 4A (Restriction of System Operator internal revenue) of the licensee's transmission licence.

"relevant connect and manage derogation report" means either the connect and manage derogation report produced by the licensee or the connect and manage derogation report produced by a transmission owner ~~Scottish licensee~~

C2: Prohibited activities

1. The purpose of this condition is to prevent abuse by the licensee of its position as owner or operator of the licensee's transmission system and in carrying out activities in relation to co-ordinating and directing the flow of electricity onto and over the national electricity GB transmission system.

C5: Use of system charging methodology

8. Nothing in this condition shall impact on the application of Special Condition 4C (Balancing Services Activity Revenue Restriction on External Costs) ~~special conditions AA5A to AA5E (Revenue restriction provisions)~~.

C6: Connection charging methodology

15. Nothing in this condition shall impact on the application of Special Condition 4C (Balancing Services Activity Revenue Restriction on External Costs) ~~special conditions AA5A to AA5E (Revenue restriction provisions)~~.

C17: Transmission system security standard and quality of service

1. Subject to any connect and manage derogation made pursuant to paragraphs 2, 3 and 4 of this condition, the licensee shall at all times:

(a) plan, develop and operate the licensee's national electricity transmission system; and

(b) co-ordinate and direct the flow of electricity onto and over the national electricity transmission system,

in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2.3, together with the STC, the Grid Code or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby).

C26: Requirements of a connect and manage connection

2. In making a connect and manage offer to a connect and manage applicant on or after the connect and manage implementation date, the licensee shall:

(a) provide that the connection date shall be on completion of the enabling works identified by it or a ~~Scottish~~ licensee in accordance with any associated TO offer;

(b) determine by reference to the connect and manage derogation criteria and the relevant connect and manage derogation report whether:

(i) a connect and manage derogation is appropriate; or

(ii) a dispute should be raised under the STC in respect of the connect and manage derogation report;

(c) ensure that any use of system charges to be imposed on a connect and manage applicant pursuant to standard condition C5 (Use of system charging methodology) shall not be payable until the connection date and shall be levied, as applicable, in accordance with paragraph 6 below;

4. The licensee shall use all reasonable endeavours to ~~complete~~ facilitate the enabling works identified as required ~~on the licensee's transmission system~~ in relation to a connect and manage application in a timescale which allows for a connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date.

5. The licensee shall use all reasonable endeavours to ~~complete~~ facilitate the wider works identified as required ~~on the licensee's transmission system~~ in relation to a connect and manage application as soon as reasonably practicable. On completion of the wider works, any applicable connect and manage derogation shall cease to have effect.