

**CONSENT TO THE PARTIAL TRANSFER OF NATIONAL GRID ELECTRICITY  
TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE IN ACCORDANCE  
WITH THE PROVISIONS OF SECTION 7A OF THE ELECTRICITY ACT 1989**

1. National Grid Electricity Transmission plc (NGET) (company registration number 02366977) with its registered office at 1-3 Strand, London, WC2N 5EH, is the holder of an electricity transmission licence, granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Licence').
2. NGET has written to the Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> seeking consent in accordance with the provisions of section 7A of the Electricity Act 1989 ('the Act') to a partial transfer of the Licence to National Grid Electricity System Operator Limited (NGESO) (company registration number 11014226), the registered office of which is at 1-3 Strand, London, WC2N 5EH.
3. Section 7A of the Act provides that an electricity transmission licence may be transferred, in whole or in part, by the licence holder –
  - (i) with the consent of the Authority; and
  - (ii) subject to any term of the licence relating to its transfer.
4. Paragraph 2 of Part 1 of the Licence provides that the Licence is subject to transfer in accordance with the Act, the special conditions or the conditions.
5. The Authority gave notice ('the Notice') of its intention to consent to the partial Licence transfer on 24 May 2018 under section 7A(9) of the Act and no objections have been received within the period of notice.
6. In accordance with section 7A(7) of the Act the Authority gave notice to the Secretary of State of its intention to modify certain conditions and has not received a direction from the Secretary of State, in accordance with section 7A(8) to not impose the modification conditions.
7. We received three responses to the Notice, which have been considered in accordance with section 7A(9)(c). We have placed the non-confidential responses on our website. Our responses to stakeholder comments are set out in Table 1 in the Schedule 1 to this consent.
8. Based on the responses received, we have identified the need to make a number of minor corrections to the modifications set out in the Notice. These corrections are shown in Table 2 in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the corrections reflected in Schedule 1 are to correct minor typographical errors and to provide more clarity in certain definitions. The corrected text is not fundamentally different from the proposals consulted on and do not affect the policy intent of the original modifications set out in the Notice.

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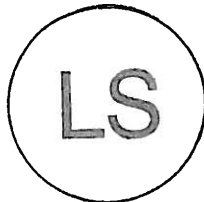
<sup>1</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

9. In accordance with the provisions of sections 7A(1) to (5) of the Act, the Authority consents to NGET's request to transfer part of its Licence to NGESO subject to the following conditions being met by 1 April 2019:
  - a. The Standard and Special Conditions of the Licence held by NGET and the Standard and Special Conditions of the electricity transmission licence to be transferred to NGESO are modified as outlined in the Schedule and Annexes to this consent;
  - b. Every derogation or direction given by the Authority under paragraph 12 of Standard Condition C14 (Grid Code) and paragraph 15 of Standard Condition B12 (System Operator – Transmission Owner Code) (together the "relevant conditions") of the Licence, and which were in effect immediately before the date of the partial transfer of the Licence from NGET to NGESO under section 7A of the Act shall have continuing effect as if they had been granted under the transferred conditions directly to NGESO;
  - c. NGET's existing relevant consents, granted by the Authority under the existing NGET Licence are, where relevant, to be appropriately granted in favour of NGESO. In addition, where these consents are solely in respect of the system operator functions these will cease to have effect in respect of NGET;
  - d. NGESO attains certification by the Authority that it complies with the European Commission's ownership unbundling requirements as required by section 10D of the Act; and
  - e. Appropriate modifications are made to the GB electricity industry codes to reflect the new arrangements resulting from the partial transfer of NGET's Licence to the NGESO who will take over NGET's existing system operator functions under the partial transfer.
  
10. Subject to the conditions in paragraph 9 being met, the Authority consents to the proposed partial Licence transfer, for the following reasons:
  - a. NGET has applied to the Authority under Section 7A of the Act for the Authority's consent to the partial transfer of the Licence to NGESO; and
  - b. The Authority is satisfied that it would have been appropriate to (a) grant NGESO a licence under section 6(1)(b) of the Act to participate in the transmission of electricity ("electricity transmission licence") corresponding to so much of the licence as is proposed to be transferred had NGESO applied to the Authority for such a licence; and (b) to grant NGET an electricity transmission licence corresponding to so much of the licence as is proposed to be retained.
  
11. Those parts of NGET's electricity transmission licence which are subject to this consent and which will be transferred to NGESO on 1 April 2019, will reflect any modifications made under S11A of the Act prior to the date of transfer as if they had been included in the Notice of Proposed Partial Transfer of 24 May 2018.

In accordance with the provisions set out in 7A(4) of the Act, the Authority hereby consents to NGET's request to transfer part of its Licence to NGESO and modify the licence conditions in the manner specified in attached Schedule 1 and Annexes. Subject

to the licensee complying with the provisions of paragraph 9, this decision will have effect from 1 April 2019.

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



.....  
**Frances Warburton**

**Director, Energy System Transition, Systems & Networks**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**04 September 2018**

## Schedule 1

**Table 1: General comments raised by the Licensee and other stakeholders.**

Item	Stakeholder Comment	Ofgem comment
1	There could be potential confusion as to whether NGESO's system operator role is for the whole system.	Issuing an electricity transmission licence to the newly formed NGESO clarifies that its system operation role is for the transmission system.
2	There is a need for reviewing the Electricity Distribution Standard Licence Conditions to ensure any consequential amendments are made.	We will review the Electricity Distribution Standard Licence Conditions and any required amendments will be made by 1 April 2019 to reflect NGESO's system operation role for the transmission system.
3	Modifications to Special Condition 20.14 of the NGESO licence were proposed. It was suggested that there may be additional circumstances where disclosure of system operation functions information should be permitted.	These proposals require further consideration. If we believe, additional modifications are required to accommodate the proposals these will be made through an additional licence modification using the process set out in section 7(A) of the Act. At the same time we would also confirm our position on the 4 outstanding entries in the table to the Appendix to Special Condition 3A to both licences. These modifications would also take effect from 1 April 2019.

**Table 2: Minor corrections to the modifications set out in the Notice**

Item	Condition and reference	Stakeholder Comment	Ofgem comment
<b>National Grid Electricity Transmission Plc Electricity transmission licence Special Conditions</b>			
1	1A Definitions - Interconnector Owner	Should be shown as struck through versus omitted altogether.	Definition was erroneously removed from the version of the licence we consulted on and hence was not shown as struck through. The definition has now been shown as struck out.
2	1A Definitions - Non-chargeable Outage Change	This definition has been erroneously struck out.	The definition will be retained in the NGET licence on the same basis as that in the other transmission owner licences.
3	1A Definitions - PCFM Variable Value	Definition has been erroneously removed and should be reinstated.	Definition was erroneously removed from the version of the licence we consulted on. The definition is and will continue to be included in the licence.

4	1A Definitions - Regulated Transmission Revenue	This needs to be defined in SC1A for the purposes of SC3A.2. Suggest using existing definition "means the revenue (measured on an accruals basis) derived from the provision of transmission owner services (including to any separate business, other than the Transmission Business) in the relevant year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived".	Including the definition which is defined in the Special Conditions of existing Electricity transmission licences corresponds to the policy intent of aligning all Transmission Operator (TO) licences. We have thus now included this definition in the licence. Whilst it was not included in the consultation, inclusion of the definition does not change policy intent. As it is an existing definition used in Electricity transmission licences, consultation on the definition is not required.
5	1A Definitions - Relevant Year t	'terms' should be 'term' ahead of MOD and formulae should be formula ahead of 'set'.	Typographical error
6	1A Definitions - TOTEX Incentive Mechanism	'(f)' ahead of definition description has been erroneously added.	Typographical error
7	1C Paragraph 1	Formatting error. Remove strikethrough on (a) and delete additions 'a' and 'b' in definition of remote transmission asset.	Typographical error
8	1C Paragraph 2	Formatting error. Remove strike out on 'a' and 'b'.	Typographical error
9	2H Title	Underline 'Not Used' as this is introducing a change as elsewhere.	Typographical error
10	2J Paragraph 2	Add comma after deleted 'and'.	Typographical error
11	2O Title	Title should read 'Business separation requirements and compliance obligations' with rest of title struck out.	Typographical error
12	3A.3	Opening words 'Maximum Revenue' need to be deleted and replaced with 'Allowed Transmission Owner Revenue'.	Typographical error
13	3A.3 Formula	2 new terms were defined in the Stat con (NGETTOt and FINt), but erroneously not added to the equation. Likewise definitions of deleted terms were removed (NICFt, DISSt and TSt) but the deleted terms were not struck through in the equation.	Typographical error The equation and definitions were reflected correctly in our consultation dated 14 March 2018.

14	3A.4 Definition of FINT	Definition of FINT should be amended to read "Means the amount set out in Appendix 2 of this condition and represents the apportioning of revenues from the licensee relating to the provision of financial facilities to National Grid System Operator Limited."	We have now amended the definition to read as suggested by the stakeholder. This amendment is to provide greater clarity and does not change policy intent.
15	3A.9 Definition of REV T-2	REV T-2, should refer to 'Relevant Special Condition' in place of 'Relevant TO Special Condition'.	Cross referencing error as the term 'Relevant TO Special Condition' has been removed from 1A.
16	3B.3	In formula '+TICFt' and '+TICPt' have been erroneously deleted, should be shown as struck out.	Terms were erroneously removed from the version of the licence we consulted on so was not shown as struck through hence the typographical error.
17	3B.4	The definitions of 'TICFt' and 'TICPt' have been erroneously removed. The definitions should be retained and shown as struck out (as they will only be retained in the NGESO licence).	Definitions were erroneously removed from the version of the licence we consulted on and hence the typographical error.
18	3I.2	'3I.2' should be shown as struck out where it appears ahead of the deleted paragraph.	Typographical error
19	3I.11.b	'Projects' should not be struck out.	Typographical error
20	3I.23	References to para 3I.23 and 3I.24 should be to 3I.21 and 3I.22 respectively.	Cross referencing error
21	3I.24	Reference to 3I.23 should be to 3I.21.	Cross referencing error
22	6F.8.c	Should read "For Relevant Year t = 2016/17, 2017/18 and 2018/19" with 'and all subsequent Relevant Years' deleted.	Typographical error. Our Consultation dated 1 December 2017 reflected this correctly as suggested by the stakeholder.
23	6F.8.d	Formula should be on a new line, and the formula should have commas not full stops.	Typographical error
24	6F.8.d	Underline para (d) as this is new.	Typographical error
25	6G Table 1	Those parts of Table 1 which are shown as underlined should not be as the changes to these tables were introduced under a Direction dated 13 February 2018 so they already exist in the licence. They are not changes being made under s7a.	Typographical error
26	6G Table 2	Those parts of Table 2 which are shown as underlined should not be as the changes to these tables were introduced under a Direction dated 13 February 2018 so they already exist in	Typographical error

		the licence. They are not changes being made under s7a.	
27	6J.14.c	'and all subsequent Relevant Years' should not be shown as struck out as this is to be retained.	Typographical error
28	6L.8.d	The text in this paragraph (d) should be underlined as it is a new addition under s7a.	Typographical error
29	8A.11	Second and third paragraphs should be labelled 'b' and 'c' respectively.	Typographical error
30	9	Title of Chapter 9 should not be struck out as Schedules 1 and 2 remain relevant.	Chapter 9 contained Schedule A and B which have been deleted. As standard practice we will show Chapter 9 and the schedules A and B as 'Not used'. Schedules 1 and 2 are not part of Chapter 9.
<b>National Grid Electricity Transmission Plc Electricity Transmission Standard Licence Conditions</b>			
31	A1 Definitions - transmission business	"or" at the end of sub para (i) should be struck out, "or" at the end of sub para (ii) should be shown as new text and new sub para (iii) should be shown as new text.	Typographical error as the change was reflected in Special Conditions 1C.
<b>National Grid Electricity System Operator Limited Electricity transmission licence Special Conditions</b>			
32	1A Definitions - Interconnector Owner	Definition has been erroneously removed and should be reinstated.	Definition was erroneously removed from the version of the licence we consulted on and hence was not shown as struck through. The definition has now been reinstated.
33	1A Definitions - Non- chargeable Outage Change	Current definition needs to be amended in the context of an SO licence. Suggest definition is amended to read: Means any change to the outage plan notified to a Transmission Owner by the licensee which the Transmission Owner and the licensee agree is not an outage change under Special Condition 4J (SO-TO Mechanism).	We have now amended the definition to read as suggested by the stakeholder. This amendment is to provide greater clarity and does not change policy intent.
34	1A Definitions - Outage Change	Current definition incorrectly refers to Special Condition 4C.27 which no longer exists. Suggest definition is amended to read:	We have now amended the definition to read as suggested by the stakeholder. This amendment is to provide

		Shall have the meaning given in Part E of Special Condition 4J (SO-TO Mechanism).	greater clarity and does not change policy intent.
35	1A Definitions - PCFM Variable Value	Definition has been erroneously removed and should be reinstated.	Definition was erroneously removed from the version of the licence we consulted on. The definition is and will continue to be included in the licence.
36	1A Definitions - Returned Royalty Income / Returned Project Revenues	Erroneously re-ordered. Existing Licence alphabetical order is correct.	Typographical error
37	1C Paragraphs 2- 9	Formatting error. Incorrect numbering, 2-9 should read 3-10.	Typographical error
38	2G	Formatting error. Incorrect numbering, 3 should read 2.	Typographical error
39	20.22	Reference to 20.26 should be struck out and 20.27 inserted as a change.	Typographical error
40	20.22	and the licensee's compliance with the specified duties' should be struck through.	Typographical error
41	20.29.d	business separation' should be shown as an underlined addition between 'specified' and 'duties' in line 6, as this is a new change.	Typographical error
42	3A.4	Definition of FINt should be amended to read "Means the amount set out in Appendix 1 of this condition and represents the costs to the licensee relating to the provision of financial facilities allocated from National Grid Electricity Transmission plc."	We have now amended the definition to read as suggested by the stakeholder. This amendment is to provide greater clarity and does not change policy intent.
43	3A Part C - heading	TRUt' should be underlined as is new.	Typographical error
44	3A 6	REVT-2, refers to 'Relevant TO Special Condition'. This term is being removed as a definition in Special Condition 1A of the NGESO licence. In order to address this, we suggest that the following modifications are required:  1. Remove 'TO' from 'Relevant TO Special Condition' in 3A.6 REVT-2 definition	We have now amended the definitions to read as suggested by the stakeholder. This amendment is to provide greater clarity and does not change policy intent.



		<p>2. Further amend the definition of "Relevant Special Conditions" in Special Condition 1A to read:  "means Special Condition 4A (Restriction of System Operator Internal Revenue), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 4A to which a Disapplication Request under Special Condition 8A (Disapplication of Relevant Special Conditions) relates; and  Special Condition 3A (Restriction of Transmission Network Revenue), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 3A to a Disapplication Request under Special Condition 8A (Disapplication of Relevant Special Conditions) relates."</p> <p>This change is required to the definition of "Relevant Special Conditions" as both Special Conditions 4A and 3A (and ancillary provisions) have effect in the NGESO licence.</p>	
45	3B.3	+TICFt' and '+TICPt' have been erroneously removed from the formula and should be reinstated as these are pre-existing terms that are not changing.	Terms were erroneously removed from the version of the licence we consulted on and hence the typographical error.
46	3B.4	The definitions of 'TICFt' and 'TICPt' have been erroneously removed from the formula and should be reinstated as these are pre-existing terms that are not changing.	Definitions were erroneously removed from the version of the licence we consulted on and hence the typographical error.
47	3L Heading	Not used' should be underlined as is a change.	Typographical error
48	Ch 4. 4G.3	sub para incorrect numbering - should start at a) rather than e).	Typographical error
49	4G.4	sub para incorrect numbering - should start at a) rather than h).	Typographical error
50	4G.14	sub para incorrect numbering - should start at a) rather than l).	Typographical error
51	4G.15	sub para incorrect numbering - should start at a) rather than b).	Typographical error
52	5A 17 a)	Delete 'and' in line 4.	Typographical error
53	5B Part B - heading	of' should not be struck out.	Typographical error

54	Ch 9	Title of Chapter 9 should not be struck out as Schedules 1 and 2 remain relevant. The deletions of Schedule A and B are correct but Schedule 1 (Specified Area) and Schedule 2 (Revocation) (which are set out in Annex J to the consultation) should be retained / set out in Chapter 9.	Chapter 9 contained Schedule A and B which have been deleted. As standard practice we will show Chapter 9 and the schedules A and B as 'Not used'. Schedules 1 and 2 are not part of Chapter 9.
<b>National Grid Electricity System Operator Limited Electricity Transmission Standard Licence Conditions</b>			
55	A1 Definitions - transmission business	"or" at the end of sub para (i) should be struck out, "or" at the end of sub para (ii) should be shown as new text and new sub para (iii) should be shown as new text.	Typographical error as the change was reflected in Special Conditions 1C.
56	C2 Prohibited Activities	Changes to paragraph 2 to add text "that is not subject to Condition D6".	Typographical error as the change was reflected in Special Conditions 1C.
57	Annex G Introduction paragraph	Opening para states "All of the proposed modifications below, other than the proposed modification of Condition B22 (Requirement for sufficiently independent directors), are reflected in proposed modifications to Special Condition 1C." This is incorrect as changes are included in Special Condition 1C (Annex F).	Typographical error

## **Annexes**

The following annexes are attached to the consent:

- Annex A: NGET Special Licence Conditions proposed modifications
- Annex B: NGET Standard Licence Conditions proposed modifications
- Annex C: NGET Part I Terms of the Licence
- Annex D: NGET Part II The Standard Conditions
- Annex E: NGET Schedules
  
- Annex F: NGESO Special Licence Conditions proposed modifications
- Annex G: NGESO Standard Licence Conditions proposed modifications
- Annex H: NGESO Part I Terms of the Licence
- Annex I: NGESO Part II The Standard Conditions
- Annex J: NGESO Schedules

Please note that Annexes A, B, F and G have been updated in line with the corrections listed in Schedule 1. The minor changes following the statutory consultation Notice are highlighted in yellow.

