

To: All holders of an electricity transmission licence

Electricity Act 1989

Section 11A(1)(b)

Modification of the standard conditions of all electricity transmission licences

1. Each of the licensees to whom this document is addressed has a transmission licence which has been granted or treated as granted under 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')¹ gave notice on 24 May 2018 ('the Notice') that we propose to modify standard 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
3. We stated that any representations to the modification proposal must be made on or before 24 July 2018.
4. 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.
5. We received one response to the Notice, which has been considered in accordance with section 11A (4A). We have placed the non-confidential response on our website. Our response to stakeholder comments are set out in Table 1 in the attached Schedule 1.
6. We are making these licence changes 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some of the proposed modifications will correct legacy references to Special Condition AA5A, which had previously been replaced by Special Condition 4C.
7. The effect of the modifications will be to reflect accurately the new arrangements that will be in place once NGESO takes over the electricity system operator functions from NGET.
8. 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 Energy Licence Modification Appeals: Competition and Markets Authority

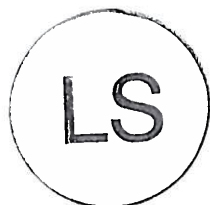
¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 3 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)(b) of the Act, we hereby modify the standard licence conditions for all electricity transmission licences in the manner specified in attached Schedule 2. The modifications to the electricity transmission licence made under this decision will take effect from 1 April 2019.

This document is notice of the reasons for the decision to modify the electricity transmission licences 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**



**Grendon Thompson
Head of SO Regulation**

Duly authorised on behalf of the Gas and Electricity Markets Authority
04 September 2018

² CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Schedule 1

Table 1: Stakeholder comments

Item	Stakeholder Comment	Ofgem comment
1	This decision should come into effect from 1 April 2019 to ensure that the modifications that are made under this section 11A Notice will accordingly be mirrored in the transmission licence that is transferred from National Grid Electricity Transmission Plc (NGET) to National Grid Electricity System Operator Limited (NGESO) pursuant to section 7A notice ³ .	This decision will take effect from 1 April 2019.

³ <https://www.ofgem.gov.uk/publications-and-updates/eso-separation-notice-proposal-partially-transfer-electricity-transmission-licence-held-national-grid-electricity-transmission-plc-national-grid-electricity-system-operator-limited>

Schedule 2

Licence Drafting

We have included the sections of the SLCs which have been amended 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 <u>by a transmission owner within its transmission area</u> or operated by a transmission licensee within its transmission area .
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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);
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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.

Schedule 3⁴

List of relevant Licence Holders

Blue Transmission London Array Limited
Blue Transmission Sheringham Shoal Limited
Blue Transmission Walney 1 Limited
Blue Transmission Walney 2 Limited
Diamond Transmission Partners BBE Limited
Great Gabbard OFTO plc
Gwynt y Môr OFTO plc
Humber Gateway OFTO Limited
National Grid Electricity Transmission Plc
Scottish Hydro Electric Transmission Plc
SP Transmission Plc
TC Barrow OFTO Limited
TC Gunfleet Sands OFTO Limited
TC Lincs OFTO Limited
TC Ormonde OFTO Limited
TC Robin Rigg OFTO Limited
TC Westermost Rough OFTO Limited
Thanet OFTO Limited
WoDS Transmission plc

⁴ Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>

