

## To: National Grid Electricity Transmission plc

### **Notice under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) of the Electricity Transmission Licence to make modifications to the EPI outputs and Allowed Expenditure**

1. National Grid Electricity Transmission plc ('the licensee') is the holder of an Electricity Transmission Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. Special Condition (SC) 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) of the Electricity Transmission Licence specifies the circumstances in which the Gas and Electricity Markets Authority (the 'Authority')<sup>1</sup>, by way of direction, can make changes to the Enhancing Pre-existing Infrastructure (EPI) Outputs and associated Allowed Expenditure (EPIE values)<sup>2</sup>.
3. Part B of SC 6G sets out the process the Authority will follow in considering a request from the licensee for an adjustment to the EPIE values in its price control to deliver an EPI Output.
4. In accordance with SC 6G.18, the Authority hereby gives notice to the licensee that it proposes to modify Table 1: EPI Outputs in Part B of SC 6G and Table 2: EPIE Values in Part D of that same condition in the manner indicated in Schedule 1 to this Notice.
5. The reason why we propose to make these modifications is explained in our decision letter dated 2 November 2018 which is published alongside this Notice<sup>3</sup>. In summary, the purpose of the modifications is to specify the deliverables of the Dorset Area of Outstanding Natural Beauty (AONB) mitigation project that the licensee is required to deliver and to specify the associated EPIE values.
6. We propose to further adjust the main contract price for changes in the metal price and exchange rate indices<sup>4</sup> that have occurred in the period between the supplier submitting their final bid price, and NGET awarding the contract in our direction notice. We propose this adjustment be reflected in the allowed expenditure that is directed following the licence modification consultation to implement our determination.
7. The effect of the proposed modifications has been set out in our decision letter which accompanies this Notice. In summary, the effect of these licence modifications is to increase the licensee's Allowed Expenditure under the RII01 electricity transmission price control by £80.826 million (2009/10 prices).

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<sup>1</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

<sup>2</sup> This is the specific licence term used in SC 6G for Allowed Expenditure associated with EPI Outputs.

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/determination-national-grid-s-proposal-reducing-visual-amenity-impacts-dorset-area-outstanding-natural-beauty>

<sup>4</sup> The indices to be used to adjust the contract price are: Metals: London Metal Exchange <https://www.lme.com> and Forex: Bank of England <https://www.bankofengland.co.uk/statistics/exchange-rates>

8. The proposed modifications are set out in Schedule 1 to this Notice. A copy of the proposed modifications and other documents referred to in this Notice are also published on our website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Alternatively, you can e-mail the Freedom of Information centre at Ofgem at [foi@ofgem.gov.uk](mailto:foi@ofgem.gov.uk) or call: 020 7901 7011.
9. The proposed modifications will come into effect on 14 December 2018.
10. Any representations with respect to the proposed licence modifications must be made on or before 30 November 2018 to: Cissie Liu, Office of Gas and Electricity Markets, 32 Albion Street, Glasgow, G1 1LH or by email to [Cissie.Liu@ofgem.gov.uk](mailto:Cissie.Liu@ofgem.gov.uk).
11. All representations will normally be published 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.

**Min Zhu**

**Deputy Director - RIIO Electricity Transmission**

Duly authorised on behalf of the Gas and Electricity Markets Authority

2 November 2018

**Schedule 1: Proposed modifications to Special Condition 6G of National Grid Electricity**

**Transmission plc's electricity transmission licence**

The proposed modification will add a new row to existing Table 1: EPI outputs, as follows:

**Part B: Assessment of Allowed Expenditure for EPI Outputs**

**Table 1: EPI Outputs**

<u>Dorset Area of Outstanding Natural Beauty (AONB) Mitigation Project</u>			<u>Dorset AONB</u>		<u>2022</u>
<u>EPI output</u>	<u>Mitigation activity</u>	<u>Volume</u>	<u>Combined visual and landscape impact<sup>5</sup></u>		
			<u>Pre-mitigation</u>	<u>Post-mitigation</u>	
Reduced visual impact	<ul style="list-style-type: none"> <li>replace a 8.25 km section of a 400kV double circuit overhead line (OHL), known as the 4YA, with 8.8 km underground cable in the Dorset AONB area. The OHL runs from northwest of Winterborne Abbas to south of Friar Waddon Hill inside the boundary of the Dorset AONB;</li> <li>install two new sealing end compounds (SEC) to connect the new section of underground cable to the existing overhead line;</li> <li>install 2 X 200 MVAR reactive compensation equipment at the existing Chickerell substation to manage voltage issues and increasing capacitance from the underground cables;</li> <li>underground diversion of the western 33kV distribution circuit near the southern SEC for safety reasons and associated fibre optics cable.</li> </ul>	8.8 km	27	3	

<sup>5</sup> The combined impact scores are from the 2014 Landscape and Visual Impact Assessment report on pre-existing transmission lines. Line sections with a measure of 25 or greater denote very high impact, 20 to 24 is assessed as high impact, 10 to 19 as moderate impact and lines with a score of 10 or less have a lower impact.

**Part D: Determination of revisions to EPIE values by the Authority**

The proposed modification will replace the existing table with the new table below.

**Table 2: EPIE values after modifications in Part C of this condition**

<b>£m (2009/10 prices)</b>	<b>Relevant Year t</b>							
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	0.0	0.0	0.082	0.171	0.562	0.322	0.226	0.033
	<u>0.166</u>	<u>0.556</u>	<u>0.976</u>	<u>1.271</u>	<u>2.003</u>	<u>9.448</u>	<u>45.166</u>	<u>22.636</u>