

**To: National Grid Electricity Transmission plc**

**Direction issued by the Gas and Electricity Markets Authority under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) to modify the electricity transmission licence of National Grid Electricity Transmissions plc**

**Whereas**

1. National Grid Electricity Transmission plc ('the Licensee') is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Special Condition (SC) 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) of the Licence describes the circumstances in which the Gas and Electricity Markets Authority (the 'Authority')<sup>1</sup>, by way of direction, can make changes to the Licensee's Enhancing Pre-existing Infrastructure (EPI) Outputs and associated Allowed Expenditure (EPIE values<sup>2</sup>) specified in that same condition.
3. Part B of the Special Condition (SC) 6G also sets out the basis of the determination 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. The reason why we are making these modifications is explained in our determination letter dated 2 November 2018<sup>3</sup>. In summary, the purpose of the modifications is to specify one new EPI Output that the Licensee is required to deliver and to specify the associated EPIE values.
5. The effect of the proposed modifications is also set out in our November determination letter. In summary, the effect of these licence modifications is to increase the Licensee's Allowed Expenditure under the electricity transmission price control by £80.541m (2009/10 prices) and to make the Licensee accountable for the delivery of the EPI Outputs by the timescales specified. This figure includes an adjustment of the main contract price for changes in the metal price and exchange rate mentioned in paragraph 8 below.
6. In accordance with the requirements set out in SC 6G, we gave notice on 2 November 2018 of the proposed modifications to Table 1 in Part B of SC 6G and Table 2 of that same condition, and specified that any representations concerning the proposed modifications should be made by 30 November 2018.
7. We received no responses to our consultation on our determination and proposed modification to SC 6G.

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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>

8. We have made one amendment to the proposed licence modification set out in Schedule 1 to the notice dated 2 November 2018. Consistent with the approach described in paragraph 6 of the notice dated 2 November 2018, the change relates to adjusting the main contract price for changes in the metal price and exchange rate indices that have occurred in the period between the supplier submitting their final bid price, and NGET awarding the main contract. This change has resulted in a reduction of £0.286m (2009/10 prices) from the original contract price. The Authority has amended these with the correct information and the changes are highlighted yellow in Schedule 1 of this direction.
9. Now the Authority pursuant to the provisions of SC 6G, hereby directs that the EPI Outputs and EPIE values for the Licensee referred to in paragraph 4 are to be modified as shown in Schedule 1.
10. This document is notice of the reasons for the decision to modify the Licence as required by section 49A(2) of the Act.

**Min Zhu**  
**Deputy Director - RIIO Electricity Transmission**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**

4 January 2019

**Schedule 1: Modifications to Special Condition 6G of National Grid Electricity Transmission plc's electricity transmission licence**

**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>4</sup></u>		
			<u>Pre-mitigation</u>	<u>Post-mitigation</u>	
<u>Reduced visual impact</u>	<ul style="list-style-type: none"> <li>• <u>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;</u></li> <li>• <u>install two new sealing end compounds (SEC) to connect the new section of underground cable to the existing overhead line;</u></li> <li>• <u>install 2 X 200 MVAR reactive compensation equipment at the existing Chickerell substation to manage voltage issues and increasing capacitance from the underground cables;</u></li> <li>• <u>underground diversion of the western 33kV distribution circuit near the southern SEC for safety reasons and associated fibre optics cable.</u></li> </ul>	<u>8.8 km</u>	<u>27</u>	<u>3</u>	

<sup>4</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

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

£m (2009/10 prices)	Relevant Year t							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	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>	<del>45.166</del> <u>44.881</u>	<u>22.636</u>