

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 an electricity 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 16 December 2019 ('the Notice')² that we propose to modify Standard Licence Condition ('SLC'):

- C27: The Network Options Assessment process and reporting requirements.

We stated that any representations to the modification proposal must be made on or before 20 January 2020.

3. 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.
4. We received four responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying letter.
5. It is necessary to make a minor alteration to the modifications set out in the Notice. This alteration is shown in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modification reflected in Schedule 1 is due to a typographical error raised in a consultation response:
 - SLC C27 Paragraph 18, to not go ahead with our proposal to delete the word "transmission" and instead to delete the word "electricity". This is explained further in the accompanying letter to this notice.
6. We are making these modifications to SLC C27 because we wish to implement policy decisions made through our Integrated Transmission Planning and Regulation project and our Extending Competition in Transmission project, and to reflect structural and housekeeping changes.
7. The effect of the modifications, which are set out in Schedule 1, will be that SLC C27 will be modified to reflect:

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

² <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-modify-standard-condition-c27electricity-transmission-licence-0>

- Restructuring parts of C27 to provide a non-exhaustive list of the types of options for Major National Electricity Transmission System Reinforcements ("MNETSR") that the NGESO should set out in the NOA report;
- A new requirement for the NGESO to assess certain projects set out in the NOA report against the criteria for competition, as described in the Guidance on the Criteria for Competition (the "GCC")³;
- A new requirement for the NGESO to undertake early development of options it intends to set out in the NOA report where early development is not carried out by another transmission licensee; and
- Other minor structural and housekeeping changes.

Further context regarding these modifications can be found in the accompanying letter published alongside this notice.

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 Rules⁴ 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 2 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 1. This decision will take effect from 18 June 2020.

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.



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Rebecca Barnett, Deputy Director, Commercial & Assurance, Systems & Networks
Duly authorised on behalf of the
Gas and Electricity Markets Authority **23 April 2020**

³ The criteria for competition are New, Separable, and High Value. More detail on the definitions of each of these criteria is available in the Guidance on the Criteria for Competition published on 12th February 2019, <https://www.ofgem.gov.uk/publications-and-updates/guidance-criteria-competition>

⁴ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licencemodification-appeals-rules.pdf

Schedule 1: Licence Drafting

- Text which has been deleted has been struck through: ~~Example~~
- Text which has been added is double underscored: Example
- Minor changes have been highlighted yellow: **Example**

Standard Condition C27: The Network Options Assessment process and reporting requirements

Introduction

1. This condition sets out the licensee's role in assessing options for the development of the national electricity transmission system (including Offshore Wider Works) and interconnector capacity. The network options assessment (NOA) process is designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission and the development of efficient interconnector capacity.
2. The methodology underpinning the NOA process, along with how this will be approved, is set out in Part A of this condition. The requirements for the publication of the annual NOA report are outlined in Part B. The licensee's obligations regarding the provision of information underpinning the NOA process are described in Part C. Part D sets out the role the licensee will play in the early development of options and the circumstances in which the licensee will be required to do so. Together, all of these activities make up the NOA process.
3. The licensee must take such steps as are within its power, and it considers may be necessary to enable the NOA process. In carrying out the NOA process, the licensee must act in a manner that best ensures transparency and independence.

Part A: The NOA methodology and form of the NOA report

4. The licensee must, not less than once in each financial year (and at such other times as the Authority may direct), develop proposals for the NOA methodology and the form of the NOA report in consultation with interested parties. The consultation shall be of such a form and duration as practicable to reasonably allow all interested parties to contribute.
5. Following any consultation pursuant to paragraph 4, the licensee must:

- (a) by 1 October 2015, or at such other date as directed by the Authority, submit to the Authority a proposed NOA methodology and proposed form of the initial NOA report (“the initial NOA report”). The licensee must make reasonable endeavours to ensure the NOA methodology includes the information set out in paragraph 8. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues; and
 - (b) by 1 August of each subsequent financial year, or at such other date as directed by the Authority submit to the Authority for approval the proposed NOA methodology and form of the NOA report.
6. Submissions made under paragraph 5 must include:
- (a) a detailed explanation of the consultation process undertaken in the development of the NOA methodology and the form of the NOA report;
 - (b) a summary of views from interested parties and an explanation of how these were taken into account in the development of the NOA methodology and the form of the NOA report; and
 - (c) copies of any formal responses submitted to the licensee as part of its consultation process.
7. The Authority will on receipt of a submission under paragraph 5:
- (a) approve the proposed NOA methodology and/or form of the NOA report; or
 - (b) give a direction to the licensee that the NOA methodology and/or form of the NOA report requires further development, and the date by which the licensee is required to submit a revised NOA methodology and/or the form of the NOA report to the Authority for approval.
8. The NOA methodology must be designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and must include (but need not be limited to):
- (a) the approach used for determining what constitutes Major National Electricity Transmission System Reinforcements;
 - (b) the approach (which must be in accordance with paragraph 9) used for identifying and assessing the range of options to meet system needs in accordance with the development of an efficient, co-ordinated and economical system of electricity

transmission for the purposes of producing the NOA report in accordance with paragraph 15~~6~~(a)(i) and (ii);

~~(c) how the options identified in (b) will be assessed, including but not limited to:~~

~~(i) the approach used to assess the technical, economic and environmental impacts and risks; and~~

~~(ii) the approach used for modelling boundary capacity, offshore transmission capacity and interconnector capacity along with assumptions and assessment criteria used;~~

~~(d) the basis for the cost estimate provided for each option;~~

(c) ~~(e)~~how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the NOA methodology; and

(d) ~~(f)~~details of the licensee's proposed timetable for updating and consulting on the methodology for the NOA reports.

9. The approach included in the methodology pursuant to paragraph 8(b) must include (but need not be limited to):

(a) the approach used to assess the technical, economic and environmental impacts and risks;

(b) the approach used for modelling boundary capacity, offshore transmission capacity and interconnector capacity along with assumptions and assessment criteria used; and

(c) the basis for the cost estimate provided for each option.

Part B: The NOA report

910. The licensee must publish an initial NOA report by 31 March 2016 or such other date as directed by the Authority. The initial NOA report must be based on the NOA methodology and be in a form approved by the Authority in accordance with paragraph 7. In producing the initial NOA report, the licensee must make reasonable endeavours

to ensure it includes the information set out in paragraph 156. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress any outstanding issues.

~~10~~11. If, following a submission of the NOA methodology and form of the initial NOA report in accordance with paragraph 5(a), the Authority has not approved or directed further development of the NOA methodology and/or form of the NOA report in accordance with paragraph 7 by 1 December 2015, the publication date set out in paragraph ~~9~~10 will be treated as being amended accordingly. The amendment will equal the number of days between 1 December 2015 and receipt of the Authority's approval or direction.

~~11~~12. Following publication of the initial NOA report the licensee must:

- (a) review at least once in each financial year the NOA report prepared and published in the previous financial year and consider any improvements to better facilitate the development of an efficient, co-ordinated and economical system of electricity transmission; and
- (b) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 7.

~~12~~13. If, following a submission of the methodology and the form of the NOA report by the date set out in paragraph 5(b), the Authority has not approved or directed further development of the NOA methodology and/or form of the report in accordance with paragraph 7 by 1 October the publication date set out in paragraph ~~11~~12(b) will be treated as amended accordingly. The amendment will equal the number of days between 1 October and receipt of the Authority's approval or direction.

~~13~~14. The licensee must publish the NOA report on its website in such readily accessible form and manner that it considers will facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and provide a copy of the NOA report on request, and free of charge, to any person who asks for one.

~~14~~15. In complying with the requirements of paragraph ~~13~~14, the licensee must have due regard to the need for excluding from the NOA report any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation,

rule of law or licence condition. The licensee must provide to the Authority its reasons for any omission of information from the NOA report.

~~15~~16. Each NOA report (including the initial NOA report) must be produced using the latest available data and in accordance with the methodology established pursuant to paragraph 8, and must, in respect of the ~~current~~ financial year in which the report is published and each of the nine succeeding financial years:

- (a) set out ~~(i)~~ the licensee's best view of the options for Major National Electricity Transmission System Reinforcements ~~(including any Non-Developer-Associated Offshore Wider Works that the licensee is undertaking early development work for under Part D)~~, and additional interconnector capacity that could meet the needs identified in the electricity ten year statement (ETYS) and facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, including (but not limited to) any:
- (i) options for Non-Developer-Associated Offshore Wider Works;
 - (ii) options that involve construction of new transmission capacity;
 - (iii) options that do not involve, or involve minimal, construction of new transmission capacity;
 - (iv) options based on commercial arrangements with users to provide transmission services and balancing services;
 - (v) options that require liaison with a holder of a distribution licence on distribution system solutions;
 - (vi) options recommended previously by the licensee to proceed but which have not been progressed by the transmission licensee to which the recommendation was given;
 - (vii) options that cross the boundaries of two or more electricity licensee's transmission areas; and
 - (viii) options suggested by other interested persons.
- ~~(ii)~~ the licensee's best view of alternative options, where these exist, for meeting the identified system need. This should include options that do not involve, or involve minimal, construction of new transmission capacity; options based on commercial arrangements with users to provide transmission services and balancing services; and, where appropriate, liaison with distribution licensees on possible distribution system solutions;
- ~~(iii)~~(b) set out, in accordance with paragraph 17, the licensee's best view of the relative suitability of each option, ~~(or combination of options)~~, identified in accordance with set out pursuant to paragraph 15~~6~~(a)(i) or (ii), for facilitating the

development of an efficient, co-ordinated and economical system of electricity transmission. ~~This must be based on the latest available data, and must include (but need not be limited to) the licensee's assessment of the impact of different options on the national electricity transmission system and the licensee's ability to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner;~~

~~(iv)~~(c) set out the licensee's recommendations on which, if any, of the option(s) set out pursuant to paragraph 16(a), should be developed further to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission;

(d) set out the licensee's best view of which, if any, of the options recommended pursuant to paragraph 16(c) comprise assets some or all of which satisfy the criteria in the Guidance on the Criteria for Competition, being a document of that name issued by the Authority and updated by the Authority from time to time, following consultation;

(e) set out the licensee's best view of which, if any, connections (or modifications to existing connections) which arise from applications made for the purposes of standard condition C8 (Requirement to offer terms), comprise assets some or all of which satisfy the criteria in the Guidance on the Criteria for Competition, being a document of that name issued by the Authority and updated by the Authority from time to time, following consultation;

~~(b)~~(f) be consistent with the ETYS and where possible align with the Ten Year Network Development Plan as defined in standard condition C11 (Production of information about the national electricity transmission system), in the event of any material misalignment therewith, set out an explanation of the difference and any associated implications; and

~~(c)~~(g) have regard to interactions with existing agreements with parties in respect of developing the national electricity transmission system and changes in system requirements.

17. The licensee's best view, set out pursuant to paragraph 16(b), must include (but need not be limited to) the licensee's assessment of the impact of different options on the national electricity transmission system and the licensee's ability to co-ordinate and

direct the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner.

Part C: Provision of information

~~16~~18. Based on the NOA methodology set out in Part A, the licensee must provide **electricity transmission** licensees and ~~interconnector developers~~ Interconnector Developers, if requested to do so, with:

- (a) ~~with~~ information and analysis to support them in their decision-making and development of options to meet system needs as identified in the ETYS. This must include information on the potential for coordination between parties where the licensee's analysis suggests coordination could facilitate the development of an efficient, co-ordinated and economical system of electricity transmission. The licensee must provide this information and analysis in such form and within such timescales as transmission licensees and ~~interconnector developers~~ Interconnector Developers may reasonably request and which is necessary to support these parties' decision making and development of options;
- (b) ~~with~~ its assessment of the options that a party is considering for Major National Electricity Transmission System Reinforcements and interconnectors, as well as its assessment of any alternative options being considered by other parties. The licensee must provide the assessment in such form and within such timescales as transmission licensees and ~~interconnector developers~~ Interconnector Developers may reasonably request and which is necessary to support these parties' decision making; and
- (c) ~~with~~ updated information and analysis to support submissions to the Authority in such form and within such timescales as transmission licensees and ~~interconnector developers~~ Interconnector Developers may reasonably request and which is necessary to support these parties' submissions to the Authority;2
- (d) ~~In complying with the requirements of this paragraph, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.~~

~~(d)~~19.In complying with the requirements of this paragraph 18, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.

~~17~~20.Based on the NOA methodology set out in Part A, the licensee must if requested submit to the Authority the information it has provided to parties under paragraph ~~16~~8 ~~on the assessment of options to meet a particular system requirement. This includes but is not~~must include, but need not be limited to, information to support a needs case for a Strategic Wider Works Output, a Needs Case for Developer-Associated Offshore Wider Works and any ~~interconnector developers~~Interconnector Developers submission to the Authority. The licensee must also submit any additional information requested by the Authority. The licensee's submissions must be made in timescales consistent with related submissions from other parties to the Authority, and as directed by the Authority.

~~18~~21.In relation to interconnectors, based on the NOA methodology set out in Part A, the licensee must submit to the Authority, within the timescales directed by the Authority, information on:

- (a) the efficiency of the connection choices made by ~~an interconnector developers~~Interconnector Developers, based on the licensee's involvement in assessing different options, including the costs of any necessary reinforcements required to connect interconnectors to the national electricity transmission system;
- (b) the licensee's assessment of the impact of new interconnectors on system operation. This should include costs and benefits relating to provision of security of supply including ancillary services, constraint management and other operational factors, which may accrue to the licensee and to consumers; and
- (c) the licensee's assessment of changes in wholesale prices as a result of interconnector flows and the impact of these changes on GB consumers, generators and interconnectors.

~~19~~22.The Authority may direct the licensee to submit information to the Authority additional to the information provided by the licensee to the Authority pursuant to ~~on the assessment of options specified in paragraphs 16, 17~~20 and ~~18~~21, within such

timeframe as the Authority may require in order to carry out any of its functions in relation to the assessment of submissions.

Part D: Early development of options

- ~~20. The licensee must undertake early development of options for Non Developer-Associated Offshore Wider Works where these have been identified as options for the development of the national electricity transmission system in accordance with the NOA methodology. The development of these options should be consistent with the NOA methodology and undertaken in a transparent manner which will enable the options to be compared with alternative options (including those being developed by other parties) in accordance with the requirements in paragraph 15(a)(i) and (ii).~~
23. The licensee must undertake early development (in accordance with paragraph 24(b)) of any option which it intends to set out pursuant to paragraph 16(a) where early development is not carried out by another transmission licensee. Without prejudice to the generality of the first sentence of this paragraph, examples of the types of option for which the licensee may need to undertake early development include those set out in paragraphs 16(a)(i) to 16(a)(viii).
24. For the purposes of paragraph 23:
- (a) early development may be limited to desktop works; and
 - (b) early development must be undertaken in a manner which:
 - (i) enables the licensee to adequately compare, in accordance with paragraph (b), the options that it sets out pursuant to paragraph 16(a);
 - (ii) is consistent with the NOA methodology set out by the licensee in accordance with paragraphs 8 and 9; and
 - (iii) is transparent.

Schedule 2: Relevant Licence Holders⁵

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

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https://www.ofgem.gov.uk/system/files/docs/2020/03/13.3.20electricity_registered_or_service_addresses_new_1.0.pdf