

**National Grid Electricity System Operator Limited**

**Electricity transmission licence**

**Special Conditions**

DRAFT

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# **Chapter 1: Interpretation and definitions**

## **Special Condition 1.1 Interpretation and definitions**

## **Special Condition 1.2 Modification of Standard Conditions**

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## Chapter 2: General Obligations

### Special Condition 2.1 EMR Arrangements

### Special Condition 2.2 Black Start Strategy & Procurement Methodology

### Special Condition 2.3 Business Separation requirements and compliance obligations

2.3.1 *[This condition is not being included as part of this consultation.]*

### Special Condition 2.4 Electricity Market Reform

2.4.1 ~~2N.1 This~~ The purpose of this condition ~~sets~~ is to set out the licensee's obligations as to its conduct in performing the EMR Functions.

#### Part A: Objectives

2.4.2 ~~2N.2~~ The licensee ~~shall~~ must:

- (a) ~~(a)~~ — in performing the EMR Relevant Duties, act in a manner best calculated to secure:
  - i. ~~(i)~~ — the efficient and effective carrying on of the EMR Functions; and
  - ii. ~~(ii)~~ — compliance with the principles appearing to it to represent best regulatory practice; and
- ~~(b)~~ —
- (b) in performing the EMR Functions, act in a manner best calculated to secure that none of the licensee's businesses, nor any business of any Associate of the licensee, obtains an unfair commercial advantage as a result of the licensee carrying out the EMR Functions, including through any arrangements the object or effect of which is that the exercise of the EMR Functions is unduly influenced in favour of those businesses.

#### Part B: Legal and functional separation of National Grid Electricity System Operator Limited and Relevant Other Competitive Businesses

2.4.3 ~~2N.3~~ Without prejudice to the licensee's obligations under Standard Condition B5 (Prohibition of cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing), Special Condition ~~2C2.6~~ (Prohibited Activities and Conduct of the Transmission Business) and Special Condition ~~2Q2.3~~ (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its System Operator Functions~~;~~), the licensee ~~shall~~ must at all times conduct its activities, including carrying out

the EMR Functions, separately from the Relevant Other Competitive Businesses, ~~provided that; but~~ nothing in ~~this~~ Part B ~~of this Special Condition 2N~~ ~~shall prevent/prevents~~ the licensee from complying with any Section E (offshore transmission owner of last resort) Direction made pursuant to Standard Condition B18 (Offshore Transmission Owner of Last Resort).

2.4.4 ~~2N.4~~ Without prejudice to the generality of paragraph ~~2N.4.3~~, in order to comply with ~~that~~ paragraph ~~2N.3~~ the licensee ~~shall~~ must in particular ensure that at a minimum:

- (a) ~~(a)~~ — the Relevant Other Competitive Businesses are conducted entirely by corporate entities which are separate from that of the licensee, and the licensee does not, directly or indirectly, hold any shares or other investments:
  - i. ~~(i)~~ — in any corporate entity which conducts any of the Relevant Other Competitive Businesses or which exercises or otherwise has control of any of the Relevant Other Competitive Businesses or any of the assets used in or dedicated to any of the Relevant Other Competitive Businesses; or
  - ii. ~~(ii)~~ — which give the holder an entitlement to vote at the general meetings of any of the corporate entities which conduct the Relevant Other Competitive Business or in any company which exercises or otherwise has control of any of the Relevant Other Competitive Businesses;
- (b) ~~(b)~~ — the licensee's accounts are maintained, and to the extent required by law audited and reported on, separately from those of any corporate entity which conducts Relevant Other Competitive Business;
- (c) ~~(c)~~ — persons engaged in, or in respect of, the management or operation of the licensee (up to and including the members of the senior management team reporting to the licensee's board of directors) are not simultaneously engaged either full or part time in respect of any Relevant Other Competitive Business or any corporate entity which conducts Relevant Other Competitive Business, other than in the provision of Shared Services provided by the licensee to its Associates and the provision of services which constitute de minimis business (as defined in Standard Condition B6 (Restriction on Activity and Financial Ring Fencing)) to the extent that:
  - i. ~~(i)~~ — the provision of those services by the licensee complies with the requirements of Standard Conditions B5 (Prohibition of cross-subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness); and
  - ii. ~~(ii)~~ — except where the Authority consents or directs, persons engaged in, or engaged in respect of, the management or operation of the EMR Functions are not simultaneously engaged in or in respect of a de minimis business as defined in Standard Condition B6 (Restriction on Activity and Financial Ring Fencing);

- (d) ~~(d)~~ — arrangements are in place which are effective in restricting access by persons engaged in, or ~~engaged~~ in respect of, the management or operation of any of the Relevant Other Competitive Businesses to any part of any premises which is occupied by persons engaged in, or in respect of, the management or operation of the licensee including persons engaged in the EMR Functions;
- (e) ~~(e)~~ — the systems for the recording, processing or storage of Confidential EMR Administrative Information used by persons engaged in, or ~~engaged~~ in respect of, the management or operation of the licensee's activities (including carrying out the EMR Functions) cannot be accessed by persons engaged in, or engaged in respect of, the management or operation of the Relevant Other Competitive Businesses; and
- (f) ~~(f)~~ — the licensee establishes and maintains in force a code of conduct governing the disclosure of Confidential EMR Administrative Information by persons carrying out EMR Functions.

### **Part C: Establishment of the EMR Data Handling Team and the EMR Administrative Team**

- 2.4.5 ~~2N.5~~ ~~By no later than~~ Before the end of the period of 7 days after beginning with the date on which this condition comes into effect, the licensee ~~shall~~ must establish an EMR Data Handling Team and ~~shall~~ must thereafter operate, supervise and manage the EMR Data Handling Team in a manner compliant with this condition.
- 2.4.6 ~~2N.6~~ Without prejudice to the generality of paragraph ~~2N.2.4.5~~, in order to comply with that paragraph ~~2N.5~~ the licensee ~~shall~~ must in particular ensure that at a minimum:
  - (a) ~~(a)~~ — subject to paragraphs ~~2N.6A, 2N.132.4.7, 2.4.17~~ and ~~2N.13A2.4.18~~, the EMR Data Handling Team ~~shall~~, in presenting Confidential EMR Delivery Plan Information to a person who is not a member of the EMR Data Handling Team, ~~use it~~ uses all reasonable endeavours to ensure that it is not ~~possible~~ reasonably practicable for such a person to identify the generation set, ~~or the owner or operator thereof~~, which is the subject of that Confidential EMR Delivery Plan Information, or the owner or operator of that generation set;
  - (b) ~~(b)~~ — each member of the EMR Data Handling Team:
    - i. ~~(i)~~ — signs a non-disclosure agreement in a form agreed with the Authority and annexed to the EMR compliance statement pursuant to paragraph ~~2N.18(b)2.4.23(d)~~(ii); and
    - ii. ~~(ii)~~ — complies with a policy set out in the EMR compliance statement governing the transfer of employees into and out of the carrying out of the EMR Functions; and
  - (c) the EMR Data Handling team is supervised and managed by a manager responsible for the control of the Confidential EMR Delivery Plan

Information disclosed to persons carrying out the EMR Data Handling Functions, and for ensuring that the EMR Data Handling Team members comply with the obligations in this paragraph ~~2N.2.4.6~~.

- 2.4.7 ~~2N.6A~~ Paragraph ~~2N.2.4.6(a)~~ ~~shall~~does not apply to the disclosure of Confidential EMR Delivery Plan Information by the EMR Data Handling Team to the EMR Administrative Team where such disclosure is necessary in order to enable the licensee to perform:

~~(a)~~

~~(b)~~(a) ~~(a)~~ its EMR Function under regulation 23(2) of the Electricity Capacity Regulations 2014 of advising the Secretary of State on whether to adjust the demand curve for a capacity auction; ~~and~~or

(b) ~~such~~ other EMR Functions ~~wherein relation to which~~ the Authority has given its prior written consent.

- 2.4.8 ~~2N.6B~~ Subject to paragraphs ~~2N.132.4.17~~ and ~~2N.13A, 2.4.18~~ where Confidential EMR Delivery Plan Information is disclosed to the EMR Administrative Team under paragraph ~~2N.6A 2.4.7~~, the licensee ~~shall~~must ensure that the EMR Administrative Team does not disclose that information to a person who is not a member of the EMR Administrative Team or the EMR Data Handling Team without having used ~~all~~its reasonable endeavours to ensure that it is not ~~possible~~reasonably practicable for such a person to identify the generation set, ~~or the owner or operator thereof~~, which is the subject of that Confidential EMR Delivery Plan Information, ~~or the owner or operator of that generation set~~.

- 2.4.9 ~~2N.7 By no later than 7 days after this condition comes into effect, the~~The licensee ~~shall establish~~must maintain an EMR Administrative Team and ~~shall~~ thereafter operate, supervise and manage the EMR Administrative Team in a manner compliant with this condition.

- 2.4.10 ~~2N.8~~ The licensee ~~shall~~must ensure that:

~~(a)~~

~~(b)~~(a) ~~(a)~~ the EMR Administrative Team is responsible for carrying out the EMR Administrative Functions; and

~~(c)~~(b) ~~(b)~~ subject to paragraphs ~~2N.8A, 2N.132.4.11, 2.4.17~~ and ~~2N.13A 2.4.18~~, in presenting Confidential EMR Administrative Information to a person who is not a member of the EMR Administrative Team, the EMR Administrative Team ~~shall use all~~uses its reasonable endeavours to ensure that it is not ~~possible~~reasonably practicable for such a person to identify the generation set, ~~or the owner or operator thereof~~, which is the subject of that Confidential EMR Administrative Information, ~~or the owner or operator of that generation set~~.

2.4.11 ~~2N.8A~~ Paragraph ~~2N.82.4.10~~(b) ~~shall~~does not apply to the disclosure of Confidential EMR Administrative Information by the EMR Administrative Team to the EMR Data Handling Team where such disclosure is necessary in order to enable the licensee to perform:

~~(a)~~

~~(b)~~(a) ~~(a)~~—its EMR Functions under Part 3 (Electricity capacity reports) of the Electricity Capacity Regulations 2014 of preparing, amending and updating an annual capacity report; ~~and~~or

~~(c)~~

~~(d)~~(b) ~~(b)~~—~~such~~ other EMR Functions ~~wherein relation to which~~ the Authority has given its prior written consent.

2.4.12 ~~2N.8B~~ Subject to paragraphs ~~2N.132.4.17~~ and ~~2N.13A2.4.18~~, where Confidential EMR Administrative Information is disclosed to the EMR Data Handling Team under paragraph ~~2N.8A2.4.11~~, the licensee ~~shall~~must ensure that the EMR Data Handling Team does not disclose that information to a person who is not a member of the EMR Data Handling Team or the EMR Administrative Team without having used ~~all~~its reasonable endeavours to ensure that it is not ~~possible~~reasonably practicable for such a person to identify the generation set, ~~or the owner or operator thereof~~, which is the subject of that Confidential EMR Administrative Information, ~~or the owner or operator of that generation set~~.

2.4.13 ~~2N.9~~ The licensee ~~shall~~must ensure that each member of the EMR Administrative Team ~~shall~~:-:

(a) ~~(a)~~—~~sign~~signs a non-disclosure agreement in a form agreed with the Authority and annexed to the EMR compliance statement pursuant to paragraph ~~2N.18(e2.4.23(d))~~(ii);

(b) ~~(b)~~—~~is~~ not ~~be~~, while a member of the EMR Administrative Team, simultaneously engaged in, or in respect of, any activity of the licensee other than:

~~i.~~

~~ii.i.~~ ~~(i)~~—the performance of EMR Administrative Functions; or

~~ii.ii.~~ ~~(ii)~~—providing assistance to the EMR Data Handling Team to the extent necessary to enable the licensee to perform its EMR Functions where Confidential EMR Administrative Information has been disclosed to the EMR Data Handling Team under paragraph ~~2N.8A2.4.11~~; and

(c) ~~(c)~~—~~be~~is, for periods of time agreed by the Authority and specified in the EMR compliance statement:

i. ~~(i)~~—assigned to the EMR Administrative Team for a minimum posting period; and



- ii. ~~(ii)~~ prohibited from engaging in, or in respect of, the management or operation of a Relevant Other Competitive Business at the conclusion of that member's posting.

2.4.14 ~~2N.10~~ — For the avoidance of doubt, paragraph ~~2N.9 shall~~ 2.4.13 does not prevent members of the EMR Administrative Team from engaging in the licensee's recruitment, training and further education activities and ~~such~~ other activities:

- (a) ~~as may be~~ specified in the EMR compliance statement; or
- (b) to which the Authority has given its prior written consent.

2.4.15 ~~2N.11~~ — The licensee ~~shall~~ must ensure that the EMR Administrative Team is accommodated in premises or parts of premises where arrangements are in place which are effective in restricting access by persons who are not members of the EMR Administrative Team.

#### **—Part D: Restrictions on the use of Confidential EMR Administrative Information**

2.4.16 ~~2N.12~~ — The licensee ~~shall~~ must, and ~~shall procure~~ must ensure that its employees, agents, contractors and advisers ~~shall~~:

- (a) ~~(a)~~ — treat and keep all Confidential EMR Administrative Information as confidential;
- (b) ~~(b)~~ — ensure that any Confidential EMR Administrative Information is not directly or indirectly disclosed to any other person other than as provided in paragraphs ~~2N.13~~ 2.4.17 and ~~2N.13A~~ 2.4.18;
- (c) ~~(c)~~ — ~~do~~ not use any Confidential EMR Administrative Information for any purpose other than:
  - i. ~~(i)~~ — performing the EMR Functions;
  - ii. ~~(ii)~~ — carrying on the Balancing Services Activity;
  - iii. ~~(iii)~~ ~~any other~~ a purpose for which the licensee has obtained prior written consent from the Authority or which is specified in the EMR compliance statement; or
  - iv. ~~(iv)~~ ~~as a purpose~~ permitted by regulation 65 of the Electricity Capacity Regulations 2014;

~~PROVIDED THAT~~ provided that Confidential EMR Administrative Information and Confidential EMR Delivery Plan Information ~~shall~~ is not be used for the purposes set out in ~~sub-~~ paragraphs (ii) and (iii) unless ~~all~~ reasonable endeavours have been taken pursuant to paragraphs ~~2N.2.4.6(a), 2N.6B, 2N.2.4.8, 2.4.10(b) or 2N.8B~~ 2.4.12 to protect from disclosure the source of such information; and

- (d) ~~(d)~~ — without prejudice to ~~sub-paragraph (c) above,~~ sub-paragraph (c) above, ensure that Confidential EMR Administrative Information is not disclosed to or solicited or used by the Transmission Business, any other business of the licensee or

any Associate of the licensee which carries on any Relevant Other Competitive Business.

2.4.17 ~~2N.13~~—The licensee may disclose Confidential EMR Administrative Information:

~~(a)–~~

~~(b)(a)~~ ~~(a)~~—where required by, or by virtue of, any requirement of law or regulation or by, or by virtue of, the rules of any governmental or other regulatory authority having jurisdiction over the licensee;

~~(e)–~~

~~(d)(b)~~ ~~(b)~~—where authorised in advance in writing by the Authority;

~~(e)–~~

~~(f)(c)~~ ~~(e)~~—to the extent that the person to whom such Confidential EMR Administrative Information relates has consented to such disclosure;

~~(g)–~~

~~(h)(d)~~ ~~(d)~~—~~to such other bodies or persons~~ to another person exercising functions conferred by or under Chapters 2, 3 and 4 of Part 2 of the Energy Act 2013 to the extent that such disclosure is required to enable that ~~body or~~ person to carry out those functions; or

~~(i)(e)~~ ~~(e)~~—where such disclosure is permitted by regulation 65 of the Electricity Capacity Regulations 2014.

2.4.18 ~~2N.13A~~—The licensee may disclose Confidential EMR Administrative Information to:

~~(a)–~~

~~(b)(a)~~ ~~(a)~~—its employees, agents, contractors and advisers, other than persons referred to in paragraph ~~2N.182.4.23(a)(vii)~~, to the extent that such disclosure is required to enable the licensee to perform its EMR Functions; or

~~(e)–~~

~~(d)(b)~~ ~~(b)~~—~~to~~ persons engaged in, or in respect of, Shared Services, to the extent necessary to enable them to perform their respective functions;

and in each case the licensee ~~shall procure~~ must ensure that:

~~i. —~~

~~ii.i.~~ ~~(i)~~—the recipients of such Confidential EMR Administrative Information only hold the information for such period as is necessary to enable the recipients to perform their respective functions; and

~~iii.ii.~~ ~~(ii)~~—prior to disclosure, the recipients of such Confidential EMR Administrative Information enter into confidentiality obligations in

respect of such information in a form specified in the EMR compliance statement.

## Part E: EMR Compliance Statement

- 2.4.19 ~~2N.14~~ — ~~By no later than 30 days after this condition comes into effect, the licensee shall~~The licensee must, unless the Authority otherwise consents ~~or directs~~, at all times have in place and comply with ~~a statement (the “an EMR compliance statement”)~~Compliance Statement approved by the Authority, ~~describing the practices, procedures and systems by which the licensee will secure compliance with the EMR Relevant Duties.~~
- 2.4.20 ~~2N.15~~ — Where the Authority does not indicate otherwise ~~within during the period of~~ 60 days ~~beginning with the date~~ of receipt of the EMR ~~compliance statement~~Compliance Statement, or any revision ~~thereof~~, the EMR ~~compliance statement shall~~Compliance Statement will be ~~deemed to be~~treated as not being approved by the Authority.
- 2.4.21 ~~2N.16~~ — The licensee ~~shall~~must, at least once in every 12 months or at such other interval as the Authority may direct, review the description set out in the EMR ~~compliance statement and shall revise such EMR compliance~~Compliance Statement and the statement as necessary to ensure that the description set out in it continues to be complete and accurate in all material respects. ~~The licensee shall alter the EMR compliance statement only with the approval of the Authority.~~
- 2.4.22 ~~2N.17~~ — The licensee ~~shall~~must send a copy of the EMR ~~compliance statement~~Compliance Statement, and each revision of it as and when it is made, to the Authority. ~~The licensee shall and~~ publish a copy of ~~such EMR compliance~~ the statement and each revision ~~of it~~ on its website.
- 2.4.23 ~~2N.18~~ — The EMR ~~compliance statement shall~~Compliance Statement must in particular (but without prejudice to the generality of paragraphs ~~2N.14~~2.4.19 and ~~2N.16~~2.4.21) set out how the licensee will ensure-:
- (a) the confidentiality of:
- ~~(b)~~(a) — Confidential EMR Administrative Information by means which ~~shall~~must include, ~~but need not be limited to-:~~
- i. ~~(i)~~ — compliance with the requirements set out in paragraph ~~2N.12~~2.4.16;
  - ii. ~~(ii)~~ — requiring adherence to the code of conduct referred to in paragraph ~~2N.2.4~~2.4(f), by those subject to it, to form part of the licensee’s disciplinary policies;
  - iii. ~~(iii)~~ — establishing and maintaining a training programme designed to ensure that employees, agents, contractors and advisers receive ~~such~~ initial and continuing training ~~as is necessary to enable the licensee to comply with the requirements of this condition~~;
  - iv. ~~(iv)~~ — ensuring that the persons engaged in the business of any Associate or business of the licensee other than performing the EMR Functions

do not have access to any parts of systems for the recording, processing or storage of Confidential EMR Administrative Information;

~~(b)(v)~~—ensuring

~~(e)~~ that:

~~(d)(c)~~ ~~(A)~~—any parts of systems used for the recording, processing or storage of:

Confidential EMR Delivery Plan Information can be accessed only by the EMR Data Handling Team;

Confidential EMR Administrative Information can be accessed only by the EMR Administrative Team; and

~~(e)~~

~~(f)(d)~~ ~~(B)~~—that neither Confidential EMR Delivery Plan Information nor Confidential EMR Administrative Information can be accessed by any other persons;

- i. ~~(vi)~~—identifying the persons to whom Confidential EMR Administrative Information ~~should~~must never be disclosed by reference to the functions of those persons; and
- ii. ~~(vii)~~—maintaining a list of persons to whom Confidential EMR Administrative Information has been disclosed or who have access to Confidential EMR Administrative Information (whether on a regular or an occasional basis), a copy of which the licensee ~~shall~~must provide on request to the Authority;

~~(g)(e)~~ ~~(b)~~—the confidentiality of Confidential EMR Delivery Plan Information by means which ~~shall~~must include, ~~but need not be limited to:-~~;

- i. ~~(i)~~—compliance with the requirements set out in paragraph ~~2N.122.4.16~~;
- ii. ~~(ii)~~—establishing, maintaining and where appropriate enforcing the non-disclosure agreement referred to in ~~2N~~paragraph 2.4.6(b)(i);
- iii. ~~(iii)~~—establishing and maintaining appropriate systems for the recording, processing and storage of Confidential EMR Delivery Plan Information;
- iv. maintaining the EMR Data Handling Team in accordance with paragraphs ~~2N~~2.4.6(b)(ii) and ~~2N~~2.4.6(c);
- v. ~~(v)~~—establishing and maintaining information system security policies; and
- vi. ~~(vi)~~—establishing and maintaining document management and security policies; and

~~(h)(f)~~ ~~(e)~~—the confidentiality of Confidential EMR Administrative Information by means which ~~shall~~must include, ~~but need not be limited to:-~~;

- i. ~~(i)~~—compliance with the requirements set out in paragraph ~~2N.122.4.6~~;

- ii. ~~(ii)~~—establishing, maintaining and where appropriate enforcing the non-disclosure agreement referred to in ~~2N.92.4.13~~(a);
- iii. ~~(iii)~~—maintaining the EMR Administrative Team in accordance with paragraphs ~~2N.2.4.9~~(b), ~~2N.2.4.9~~(c) and ~~2N.112.4.15~~;
- iv. ~~(iv)~~—establishing and maintaining appropriate systems for the recording, processing and storage of Confidential EMR Administrative Information;
- v. ~~(v)~~—establishing and maintaining information system security policies; and
- vi. ~~(vi)~~—establishing and maintaining document management and security policies.

## **Part F: Appointment of EMR compliance officer and EMR compliance reporting**

~~2.4.23~~~~2.4.24~~ ~~2N.19~~—The licensee ~~shall~~must ensure, following consultation with the Authority, that a ~~competent person (who shall be known as the “EMR compliance officer”)~~Compliance Officer is appointed for the purpose of facilitating compliance by the licensee with the EMR Relevant Duties. ~~For; and for~~ the avoidance of doubt, the person appointed as EMR compliance officer pursuant to this paragraph may also hold other compliance officer roles for the licensee.

~~2.4.24~~~~2.4.25~~ ~~2N.20~~—The licensee ~~shall~~must appoint a ~~single responsible director (the “Single Responsible Director”)~~ for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the EMR compliance officer set out in paragraph ~~2N.24~~~~2.4.29~~ and the licensee’s compliance with its EMR Relevant Duties. ~~The; and the~~ Single Responsible Director ~~shall~~must report to the board of directors of the licensee in relation to the obligations set out in this ~~Special Condition~~ ~~2N.—~~.

~~2.4.25~~~~2.4.26~~ ~~2N.21~~—The licensee ~~shall~~must ensure that the EMR compliance officer:

- (a) ~~(a)~~—~~is~~ provided with such employees, premises, equipment, facilities and other resources; and
- (b) ~~(b)~~—~~has~~ such access to the licensee’s premises, systems, information and documentation;~~;~~

as, in each case, the EMR compliance officer might reasonably expect to require for the fulfilment of the duties and tasks assigned to the EMR compliance officer pursuant to this ~~Special Condition~~ ~~2N.—~~.

~~2.4.26~~~~2.4.27~~ ~~2N.22~~—Except to the extent provided for in paragraph ~~2N.19~~~~2.2.24~~, the licensee ~~shall~~must ensure that the EMR compliance officer is not engaged in the management or operation of the Transmission Business, any Associate, other business of the licensee or any Relevant Other Competitive Businesses.

~~2.4.27~~~~2.4.28~~ ~~2N.23~~—The licensee ~~shall~~must make available to the EMR compliance officer details of any complaint or representation received by it from any person in respect of a matter arising under or by virtue of the EMR Relevant Duties.

~~2.4.28~~2.4.29 ~~2N.24~~—The duties and tasks of the EMR compliance officer ~~shall~~must include:

- (a) ~~(a)~~—providing advice and information to the licensee (including individual directors of the licensee) and the Single Responsible Director for the purpose of ensuring the licensee's compliance with the EMR Relevant Duties;
- (b) ~~(b)~~—monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the EMR Relevant Duties and described in the EMR ~~compliance statement~~Compliance Statement;
- (c) ~~(c)~~—advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to secure the required co-operation;
- (d) ~~(d)~~—investigating any complaint or representation made available to the EMR compliance officer in accordance with paragraph ~~2N.23~~2.4.28;
- (e) ~~(e)~~—recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable; and
- (f) ~~(f)~~—reporting annually to the Single Responsible Director as to the EMR compliance officer's activities in respect of the EMR Relevant Duties during the period covered by the report.

~~2.4.29~~2.4.30 ~~2N.25~~—As soon as is reasonably practicable and in any event ~~no later than before the end of the period of~~ 90 days ~~following~~beginning with the date of the annual report of the EMR compliance officer, the licensee ~~shall~~must produce a report in a form approved by the Authority:

- (a) ~~(a)~~—as to its compliance with the EMR Relevant Duties during the period since the last report; and
- (b) ~~(b)~~—as to its implementation of the practices, procedures and systems adopted in accordance with the EMR compliance statement.

~~2.4.30~~2.4.31 ~~2N.26~~—The report produced in accordance with paragraph ~~2N.25~~2.4.30 ~~shall~~must in particular:

- (a) ~~(a)~~—detail the activities of the EMR compliance officer during the ~~relevant~~ period covered by the report;
- (b) ~~(b)~~—refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems described in the EMR compliance statement;
- (c) ~~(c)~~—set out the details of any investigations conducted by the EMR compliance officer, including:
  - i. ~~(i)~~—the number, type and source of the complaints or representations on which such investigations were based;
  - ii. ~~(ii)~~—the outcome of such investigations; and



- iii. ~~(iii)~~ any remedial action taken by the licensee following such investigations; and ~~and~~
- (d) ~~(d)~~ —be accompanied by a compliance certificate in a form approved by the Authority, approved by a resolution of the board of directors of the licensee and signed in good faith by the Single Responsible Director pursuant to that resolution, on the licensee's compliance with the EMR Relevant Duties and certifying that, to the best of that director's knowledge, information and belief having made due and careful enquiry, the report of the EMR compliance officer fairly represents the licensee's compliance with the EMR Relevant Duties.

~~2.4.31~~2.4.32 ~~2N.27~~—The licensee ~~shall~~must, as soon as ~~is~~ reasonably practicable and in any event no later than 14 days after the compliance certificate is approved by a resolution of the board of directors of the licensee as required by paragraph ~~2N.26~~2.4.31(d), submit to the Authority a copy of the report and compliance certificate produced in accordance with paragraph ~~2N.26~~2.4.31, and ~~shall~~ publish copies of each of them on its website.

~~2.4.32~~2.4.33 ~~2N.28~~—The licensee ~~shall~~must, if so directed by the Authority, appoint an Independent Examiner for the purpose of providing a written report to the Authority:

- (a) ~~(a)~~ —reviewing the practices, procedures and systems which have been implemented to secure compliance with this condition;
- (b) ~~(b)~~ —assessing the appropriateness of such practices, procedures and systems for securing compliance with the licensee's obligations under this condition; and
- (c) ~~(c)~~ —reporting on the licensee's compliance with the requirements of this condition.

~~2.4.33~~2.4.34 ~~2N.29~~—The Independent Examiner's report ~~shall~~must be provided to the Authority ~~within during the period of~~ three working days ~~of beginning with the date on which~~ the licensee ~~receiving~~receives it from the Independent Examiner.

~~2.4.34~~2.4.35 ~~2N.30~~—The Independent Examiner's report ~~shall~~must be commissioned at such intervals as the Authority ~~shall direct~~directs.

## **Part G: General**

~~2.4.35~~2.4.36 ~~2N.31~~—~~Should~~If the licensee ~~cease~~ceases to perform the EMR Functions:

- (a) ~~(a)~~ —paragraphs ~~2N.12~~2.4.16 and ~~2N.13~~ ~~shall~~2.4.17 will continue in force to the extent required to protect Confidential EMR Administrative Information in accordance with the obligations set out in this condition; and
- (b) ~~(b)~~ —the other obligations under this condition ~~shall~~will remain in force for such time and on such terms as the Authority ~~shall direct in writing~~ directs.

## **Part H: Definitions**

~~2N.32—In this condition:~~

~~“Confidential EMR Information” means all Information disclosed to or acquired in any way (and whether directly or indirectly) by the licensee or any of its agents or representatives by virtue of the performance of EMR Functions by the licensee, but excluding:~~

~~(a) all Information that is in or has entered the public domain otherwise than as a direct or indirect consequence of any breach of this licence;~~

~~(b) all Information which the licensee can demonstrate was lawfully in its written records prior to the date of disclosure of the same by the owner of the Confidential EMR Information or which it received from a third party independently entitled to disclose it; and~~

~~(c) all Information properly received in the usual course of the licensee’s activities pursuant to paragraphs (a) to (c) (inclusive) of the definition of Permitted Purpose.~~

~~“Confidential EMR Administrative Information” means Confidential EMR Information disclosed to or acquired by the licensee by virtue of its role in performing EMR Administrative Functions.~~

~~“Confidential EMR Delivery Plan Information” means Confidential EMR Information which comprises either:~~

~~(a) Information on the costs of low carbon electricity generation technologies; or~~

~~(b) Information, the unauthorised disclosure of which would be adverse to the commercial interests of the Information provider;~~

~~in each case, where such Information is:~~

~~(i) disclosed to or acquired by the licensee by virtue of its role in performing EMR Data Handling Functions; and~~

~~(ii) specific to an individual energy industry participant, plant, facility, generating station or generation set, or the owner or operator thereof.~~

~~“EMR Administrative Functions” means any functions conferred on the licensee by or by virtue of:~~

~~(a) the Electricity Capacity Regulations 2014, but excluding any functions conferred by or by virtue of Part 3 of those regulations;~~

~~(b) any capacity market rules made by the Secretary of State pursuant to section 34(1) of the Energy Act and any capacity rules made by the Authority pursuant to section 34(3) of the Energy Act;~~

~~(c) the Contracts for Difference (Allocation) Regulations 2014; and~~



~~(d) — any allocation framework made by the Secretary of State pursuant to section 13(2)(a) of the Energy Act.~~

~~“EMR Administrative Team” means the team established or to be established by the licensee in accordance with paragraph 2N.7.~~

~~“EMR compliance statement” is defined under paragraph 2N.14 of this Special Condition 2N.~~

~~“EMR Data Handling Functions” means the data anonymisation and data aggregation functions which shall be performed in order to achieve the objective specified in paragraph 2N.6(a).~~

~~“EMR Data Handling Team” means the team established or to be established by the licensee in accordance with paragraph 2N.5.~~

~~“EMR Functions” has the same meaning as the term “EMR functions” in Chapter 5 of Part 2 of the Energy Act 2013.~~

~~“EMR Relevant Duties” means the licensee’s obligations pursuant to this licence condition.~~

~~“Energy Act” means the Energy Act 2013.~~

~~“Permitted Purpose” shall have the meaning given in Standard Condition A1 (Definitions and interpretation).~~

~~“Shared Services” means shared corporate services (which shall not include regulatory services) as specified in the EMR compliance statement.~~

~~“Single Responsible Director” has the meaning given in paragraph 2N.20 of this Special Condition 2N.~~

## Special Condition 2.5 Network Access Policy

### Introduction

2.5.1 The purpose of this condition is to set out the requirements upon the licensee to facilitate the development of, and to act consistently with, the **respective** Transmission Owners’ Network Access Policy ~~(“[NAP]” designed to facilitate efficient performance and effective liaison between the System Operator and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System (NETS) for the benefit of consumers.)~~.

2.5.2 For the avoidance of doubt, nothing in this condition replaces, overrides, or limits:

(a) any statutory duty imposed on the licensee;

- (b) any other obligation of the licensee under the licence or any code, particularly in relation to the licensee's compliance with Standard Condition B12 (System Operator – Transmission Owner Code) and Standard Condition C17 (Transmission system security standard and quality of service); and/or
- (c) the System Operator - Transmission Owner Code ("the STC").

#### **Part A: -Licensee's obligations in relation to the NAP**

- 2.5.3 The licensee must incorporate the ~~respective~~ Transmission Owners' NAP into its planning and operations within its licensed activities. ~~It, and it~~ must act consistently with the ~~NAPs~~NAP, subject to the need to ensure the safe and secure operation of ~~the NETS as a whole~~all or any part of ~~it~~the NETS.
- 2.5.4 The licensee must ~~take all~~use its reasonable endeavours to assist Transmission Owners in meeting their obligations for meeting the essential requirements of the NAP and amending the NAP.

### **Special Condition 2.6 Prohibited Activities and Conduct of the Transmission Business**

#### Prohibited Activities

#### Except withIntroduction

- 2.6.1 The purpose of this condition is to set out the ~~written consent of the Authority,~~ prohibited activities on the licensee ~~shall not~~ and ~~shall procure that~~ any subsidiary of the licensee ~~shall not, on its own account (or that of the licensee or of any subsidiary of the licensee as the case may be), to~~ hold, ~~or seek to hold,~~ a ~~transmission licence~~Transmission Licence that has Section D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions) in effect.

#### **Part A: Prohibited Activities**

- 2.6.2 Except with the consent of the Authority, the licensee must not, and must ensure that any subsidiary of the licensee will not, on its own account (or that of the licensee or of any subsidiary of the licensee as the case may be), hold, or seek to hold, a Transmission Licence that has Section D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions) in effect.

#### **Part B: Conduct of the Transmission Business**

- ~~2.6.2~~2.6.3 The licensee ~~shall~~must conduct its ~~transmission business~~Transmission Business in the manner best calculated to secure that, ~~in meeting its obligations under this licence:~~ none of the following obtains an unfair commercial advantage including, in particular, any advantage from a preferential or discriminatory

arrangement, being, in the case of such an advantage accruing to the licensee, one in connection with a business other than its transmission business.:

~~(a)-~~

~~(b)~~(a) the licensee;

~~(c)~~(b) any affiliate or related undertaking of the licensee including, for the avoidance of doubt:

- i. any affiliate or related undertaking that intends to participate in a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted; or
- ii. any affiliate or related undertaking participating in a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted;

that is a subsidiary of, or is controlled by an ultimate controller of, the licensee;

~~(d)~~(c) any user of the national electricity transmission system; ~~or~~ and

~~(e)~~(d) any other ~~transmission licensee;~~ Transmission Licensee.

~~obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the licensee, one in connection with a business other than its transmission business.~~

## **Special Condition 2.7 Prohibition on engaging in preferential or discriminatory behaviour**

### **Introduction**

2.7.1 ~~The purpose of this condition is to prevent the~~ licensee ~~shall~~from unduly discriminating between Transmission Licensees.

### **Part A: Prohibition on engaging in preferential or discriminatory behaviour**

~~2.7.12.7.2~~ The licensee must not, in meeting its obligations under this licence, unduly discriminate as between other Transmission Licensees, or unduly prefer any other ~~transmission licensee or transmission licensees~~Transmission Licensee, or unduly prefer itself over any other ~~transmission licensee or transmission licensees~~Transmission Licensee.

~~2.7.22.7.3~~ On ~~notification~~direction by the Authority, the licensee ~~shall~~must keep and maintain such records concerning its compliance with this condition as are in the opinion of the Authority sufficient to enable the Authority to assess whether the licensee is complying with this condition and as are specified in any such ~~notification, direction;~~ and the licensee ~~shall furnish~~must provide to

the Authority such records ~~(or such of these as the Authority may require)~~ in such manner and at such times as the Authority may require.

## **Special Condition 2.8 Allowances in respect of a Security period**

2.8.1 *[This is not being included as part of this consultation.]*

## **Special Condition 2.9 Services treated as Directly Remunerated Services**

## **Special Condition 2.10 Disapplication of Relevant Special Conditions**

2.10.1 *[This condition is not being included as part of this consultation.]*

## **Special Condition 2.11 Digitalisation**

## **Special Condition 2.12 Tax Reconciliation Assurance Statement**

## **Chapter 3: Transmission Revenue Restriction**

### **Special Condition 3.1 Transmission Network Revenue Restriction**

### **Special Condition 3.2 RIIO-1 Network Innovation Competition (NICF<sub>t</sub>)**

### **Special Condition 3.3 Strategic Innovation Fund (SIFF<sub>t</sub>)**

3.3.1 *[This is not being included as part of this consultation.]*

## **Chapter 4: System Operator Revenue Restriction**

**Special Condition 4.1 System Operator Internal Revenue Restriction**

**Special Condition 4.2 Balancing Services Activity Revenue Restriction on External Costs**

**Special Condition 4.3 Electricity System Operator Reporting and Incentive Arrangements (ESORI<sub>t</sub>)**

**Special Condition 4.4 SO-TO Mechanism (SOTOC<sub>t</sub>)**

**Special Condition 4.5 The RIIO-2 Network Innovation Allowance (NIA<sub>t</sub>)**

**Special Condition 4.6 Carry-over RIIO-1 Network Innovation Allowance (CNIA<sub>t</sub>)**

**Special Condition 4.7 System Operator Legacy Adjustments (SOLAR<sub>t</sub>)**

## **Chapter 5: Governance**

**Special Condition 5.1 Governance of the ESO Price Control  
Financial Instruments**

**Special Condition 5.2 Annual Iteration Process for the ESO Price  
Control Financial Model**

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