

DRAFT

# Transmission Licence Standard Conditions

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## SECTION A: INTERPRETATION, APPLICATION AND PAYMENTS

We have included the sections of the licence conditions we propose to remove or amend below. Deletions are shown in strike through and new text is underlined. Double underlined text indicates regulations being made by the Secretary of State<sup>1</sup> or text that is being consulted on through our Statutory consultation on consequential licence modifications due to the end of the transition period.<sup>2</sup>

Condition A1 (Definitions and interpretation) contains only the amended or new definitions we are consulting on as part of this consultation.

### Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

Authority's Website

means [www.ofgem.gov.uk](http://www.ofgem.gov.uk);

Financial Resilience Report

means the report prepared by the licensee pursuant to paragraph/Part C of Standard Condition B10;

Final Determinations

means the document of that name published on the Authority's Website in relation to the RIIO-2 price control;

means

~~"instrument credit rating"~~ Instrument Credit Rating

~~(a)~~ ;

(a) a Long-Term ~~Issuer~~ Issue Credit Rating by Standard & Poor's Ratings Group or any of its subsidiaries;

<sup>1</sup> <https://www.legislation.gov.uk/uksi/2020/1401/made>

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/preparing-end-transition-period-statutory-consultation-consequential-licence-modifications-due-end-transition-period>

(b) a Long-Term Corporate  
Obligation Rating by Moody's  
Investors Services Inc. or any of its  
subsidiaries;

~~(b)~~  
(c) a rating on the Structured, Project  
& Public Finance Obligations Long  
Term Ratings Scale by Fitch Ratings  
Ltd or any of its subsidiaries;

~~(b)~~  
(d) a rating which, ~~in the opinion of~~  
the Authority, ~~notified in writing to~~  
~~the licensee directs~~, is equivalent to  
those referred to in sub-paragraphs  
(a), (b), or (c) and issued by:—

~~(i)~~ (i) any of the credit rating  
agencies as referred to in sub-  
paragraphs (a), (b), or (c); or

~~(ii)~~ (ii) any other  
reputable

credit rating agency which, in the opinion of  
the Authority, notified in writing to the  
licensee, has comparable standing in both the  
United Kingdom and the United States of  
America.

~~“issuer credit rating”~~ Issuer Credit Rating means

~~an issuer credit~~ means in relation to any Issuer Credit Rating or Instrument Credit Rating unless otherwise directed:

(a) one of the following:

(i) a rating of not less than BBB- by Standard & Poor's Ratings Group or any of its subsidiaries;

~~an issuer credit~~ (ii) a rating of not less than Baa3 by Moody's Investors Service Inc. or any of its subsidiaries;

~~an issuer credit~~ (iii) a rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries;

~~an issuer credit~~ (iv) in relation to Issuer Credit Ratings only, a rating of not less than BBB (low) by DBRS Ratings Limited or any of its affiliates; or

(v) a rating which, ~~in the opinion of the Authority, notified in writing to the licensee~~ directs, is equivalent to those referred to in sub-paragraphs ~~(a), (b), (c) or (d)~~, (ii), (iii) and (iv) issued by:

(aa) any of the credit rating agencies as referred to in sub-paragraphs ~~(a), (b), (c)~~, (ii), (iii) or ~~(d);~~ (iv) or

(bb) any other reputable credit rating agency which, in the opinion of the Authority,

notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America;

or

(b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.

~~“investment grade”~~Investment Grade

means in relation to any ~~issuer credit rating~~Issuer Credit Rating or ~~instrument credit rating~~Instrument Credit Rating unless otherwise ~~specified~~

~~(–) unless sub-paragraph (b) below applies:~~

~~(–) directed:~~

(a) one of the following:

(i) a rating of not less than BBB- by ~~standard~~Standard & Poor’s Ratings Group or any of its subsidiaries;

~~(–)~~

(ii) a rating of not less than Baa3 by Moody’s Investors Service Inc. or any of its subsidiaries;

~~(–)~~

(iii) a rating of not less than BBB-by Fitch Ratings Ltd or any of its subsidiaries;

~~(–)~~

(iv) in relation to ~~issuer credit~~

~~ratings~~Issuer Credit Ratings only, a rating of not less than BBB (low) by DBRS Ratings Limited or any of its affiliates; or

~~(v)~~

(v) a rating which, ~~in the opinion of the Authority, notified in writing to the licensee~~ directs, is equivalent to those referred to in sub-paragraphs (i), (ii), (iii) and (iv) issued by:

(aa) any of the credit rating agencies referred to in sub-paragraphs (i), (ii), (iii) or (iv) or

(bb) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America;

or

(b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.

Negative Rating Action

means a rating agency placing a rating on Negative Watch or a rating agency downgrading a rating to a lower rating.

Negative Watch

means the mechanism or mechanisms used by the relevant credit rating agency to identify an issuer that is at risk of a credit rating downgrade in the short or long term, including but not limited to negative designations of S&P CreditWatch, S&P Outlook, Fitch Rating Watch, Fitch Outlook, Moody's Watchlist, or Moody's Rating Outlook.

Potential Mitigating Actions

means actions designed to improve the Issuer Credit Rating and/or financial resilience, including but not limited to:

(a) dividend restraint;

(b) equity injection or other additional sources of finance;

(c) profiling of investment within the Price Control Period;

(d) cost reduction;

(e) profiling of financial liabilities within the Price Control Period; and

(f) if relevant, negotiations with lenders regarding covenants and possible exemptions.



<u>Published Rating Report</u>	<u>means a rating action announcement, credit opinion report, rating report, research update or transaction update which:</u>  <u>(a) specifically relates to the licensee, and</u>  <u>(b) is published by any rating agency that is paid by the licensee (or a company in the licensee's group) to provide either an Issuer Credit Rating or a Significant Instrument Credit Rating.</u>
<u>Transmission network use of system charges</u>	<u>has the meaning given to that term in the CUSC Section 14.14.</u>
<u>Transmission network revenue</u>	<u>means the revenue received by the system operator through transmission network use of system charges under the CUSC.</u>
<u>Significant Instrument Credit Rating</u>	<u>means an Instrument Credit Rating relating to debt issued by the licensee or a funding vehicle of the licensee which represents more than 10% of the licensee's total debt.</u>
<u>Regulatory Year</u>	<u>means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00. The first such Regulatory Year (t=1) commences on 1 April 2021 at 05:00 hours.</u>

## Condition A7: Offshore Transmission Implementation

[Removed]

## SECTION B: GENERAL

### Condition B3

### Condition B6

### **Condition B10: Credit rating of the licensee and resulting obligations**

#### Introduction

1. The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports.

#### Part A: Obligation to maintain an Investment Grade Issuer Credit Rating

2. The licensee ~~shall~~must use all-reasonable endeavours to ensure that the licensee maintainsmaintain an Investment Grade Issuer Credit Rating at all times-an investment grade issuer credit rating.

#### Part B: Obligation to provide Published Rating Reports

3. Where a Negative Rating Action occurs in respect of the licensee or the licensee's credit rating is withdrawn, it must within a period of ten Working Days beginning with the date of the related Published Rating Report:
  - a) notify the Authority; and
  - b) if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

#### Part C: Obligation to provide Financial Resilience Reports

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of the date of a Negative Rating Action relating to the licensee, if:

- a) the licensee's highest rating held for an Issuer Credit Rating or Significant Instrument Credit Rating is one notch higher than the lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;
- b) the licensee's Issuer Credit Rating or Significant Instrument Credit Rating is downgraded to the lowest Investment Grade or lower; or
- c) the licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating and that rating is one notch above the minimum covenant requirement and is on negative watch or the rating is lower than one notch above the minimum rating requirement.

5. The Financial Resilience Report must include:

- a) an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to either operational performance or macro-economic events;
- b) financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and
- c) details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.

6. The financial projections required by paragraph 5(b) of this condition must include:

- a) a forecast balance sheet;
- b) income statements;
- c) cashflow statements;
- d) key financial metric projections; and

~~a)e)~~ results of any stress tests that the licensee considered appropriate.

## Condition B12: System Operator – Transmission Owner Code

### *Condition B12: System Operator – Transmission Owner Code*

1. The licensee shall, in common with those other transmission licensees to which this condition applies, at all times have in force a STC, being a document which:

(a) sets out terms as between STC parties whereby the national electricity transmission system and each STC party's transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;

~~(b)~~ set outs the terms by which the system operator allocates received transmission network revenue, consistent with the principles that the system operator will only pay invoiced transmission network revenue (net of payments to the Authority, the Agency, electricity interconnector licensees, and special condition 3.5 (Legacy adjustment to revenue) of the system operator's licence) to transmission owners, and any difference between invoiced transmission network revenue and maximum revenue will be shared between the transmission owners, proportionate to their share of total transmission network revenue. The licensee shall use its reasonable endeavours to ensure terms are in place that facilitate its compliance with the requirements of this condition no later than 1 July 2021, or such other date as directed by the Authority;

~~(b)(c)~~ is designed to facilitate achievement of the objectives set out in paragraph 3;

~~(e)(d)~~ includes the modification procedures required by paragraph 6-6H;

~~(d)(e)~~ provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC; and

~~(e)(f)~~ The licensee shall be taken to comply with this paragraph by:

(i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect, the

document designated by the Secretary of State for the purposes of this condition; and

- (ii) modifying such document from time to time in accordance with the transition modification provisions and the provisions of paragraphs 6-6H and 7 below.

2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the national electricity transmission system and each STC party's transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided are those which:

- (a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees and STC parties arising under any relevant licences codes or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and
- (b) provide for matters which include:
  - the provision of transmission services,
  - the operation, including the configuration, of the national electricity transmission system,
  - the co-ordination of the planning of STC parties' transmission systems,
  - the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),
  - planning for, and co-ordination of, transmission outages,
  - procedures for developing, agreeing and implementing party entry processes,
  - the resolution of disputes,

- the exchange of information between STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences and other relevant statutory obligations,
- procedures to enable the system operator to obtain relevant information from STC parties to enable it to produce information and analysis about the national electricity transmission system in accordance with standard condition C11 (Production of information about the national electricity transmission system) and standard condition C27 (The Network Options Assessment process and reporting requirements), and
- procedures established in pursuance of paragraphs 6-6H.

Nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

3. The objectives of the STC referred to in sub-paragraph 1(~~bc~~) are the:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
- (b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;
- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
- (d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees;
- (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;

- (f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system; and
  - (g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.
4. The STC shall provide for:
- (a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC;
  - (b) a copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;
  - (c) a panel body, as specified in the STC (the “panel”) whose functions shall include the matters required by this condition and as set out in the STC;
  - (d) a secretarial or administrative person or body, as specified in the STC, to perform the role of code administrator (the “code administrator”). In addition to any powers, duties or functions set out in the STC, the code administrator shall:
    - (i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);
    - (ii) facilitate the procedures for making a modification to the STC; and
    - (iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice;
5. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.

6. The STC shall include procedures for its own modification (including procedures for the modification of the modification procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:
  - (a) for proposals for modification of the STC to be made by any of the STC parties, the Authority (in relation only to modifications which fall within the scope of paragraph 6GE), the licensee or such other persons or bodies as the STC may provide;
  - (aa) for modification proposals made by the Authority or the licensee under 6(a) and 6(ab)(i) respectively which fall within the scope of paragraph 6GE:
    - (i) to be accepted into the STC modification procedures by the panel;
    - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
    - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 6(ab);
  - (ab) for compliance by the licensee and (where applicable) the panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation only to modifications fall within the scope of paragraph 6GE) for:
    - (i) the licensee to raise a modification proposal(s); and/or
    - (ii) the completion of each of the procedural steps outlined in paragraph 6 or 6GC, to the extent that they are relevant; and/or
    - (iii) the implementation of a modification.
  - (b) except for modifications made pursuant to paragraph 6D or 6GB, where a modification proposal is made:
    - (i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;



- (ia) for the proper evaluation of the suitability of the self-governance route (in accordance with paragraph 6A) for a particular modification proposal;
- (ib) during a significant code review phase, for the proper evaluation of the relevance of the significant code review to a particular modification proposal
- (ii) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;
- (iii) for the preparation by the panel of an assessment of the likely impact of the proposal on each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning any STC party or STC party's transmission system, such assessment shall be made on the basis of the panel's proper assessment (which the panel shall make available for these purposes) of the impact of the proposal on each STC party's transmission system;
- (iv) for properly evaluating whether the proposed modification would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the panel requires information which is not generally available concerning any STC party or STC party's transmission system or the national electricity transmission system, such evaluation shall be made on the basis of the panel's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph 3;
- (v) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable STC objectives;
- (vAv) for the evaluation required under paragraph 6(b)(iv) (and, if applicable, paragraph 6(b)(v)) in respect of the applicable STC objective(s) to include, where the impact is likely to be material, an assessment of the quantifiable

impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;

(vi) for the preparation of a report on behalf of the panel which includes the following:

- the proposed modification and any alternative;
- an evaluation of the proposed modification and any alternative;
- an assessment of the extent to which the proposed modification or any alternative would better facilitate achieving the applicable STC objectives and a detailed explanation of the reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of greenhouse gas emissions in accordance with paragraph 6(b)(vA));
- to the extent practicable, an assessment of the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed modification;
- an assessment of the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of the modification;
- a recommendation by the panel (or in the case of a proposal falling within the scope of paragraph 6A, a determination), by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification or any alternative should be made;
- to the extent practicable, the inclusion in the report of the combined views of the STC parties concerning the modification and any alternative or, where a combined view is not practicable, the views of each STC party;

- a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
- (vii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);
- (c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any modification to be either:
  - (i) in accordance with any direction(s) issued by the Authority under paragraph 6(ab); or
  - (ii) where no direction has been issued by the Authority under paragraph 6(ab), such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made (or after a determination by the panel in accordance with paragraph 6A), account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;
- (d) for the completion of each of the procedural steps outlined in this paragraph 6, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(ab);
- (e) for separate processes for the modification of STC Procedures and the schedule listing the STC Procedures in force from time to time and which otherwise forms a part of the STC, to those for the modification of other parts of the STC set out in sub-paragraphs (a) to (d) above and paragraphs 6A-7; and
- (f) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraphs 6(b)(vi) and 6(b)(vii) upon, and in

accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal.

6A. The procedures for the modification of the STC shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 6A (the "self-governance route") where:

(a)

(i) in the view of the panel, the modification proposal meets all of the self-governance criteria, and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or

(ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and

(b) unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 6A(d); and

(c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 6A(d); and

(d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 6A(b), determined that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the STC and any other modifications proposed in accordance with paragraph 6(b)(v), better facilitate the achievement of the applicable STC objective(s); and

- (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 6A(d) in respect of such modification proposal and any alternative; or
- (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 6B and the Authority has not quashed the panel's determination referred to at paragraph 6A(d) (and either remitted the relevant modification proposal and any alternative back to the panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal).

6B. The procedures for the modification of the STC shall provide that those persons set out at paragraph 6(a) may appeal to the Authority the approval or rejection by the panel of a modification proposal and any alternative falling under the self-governance route (in accordance with paragraph 6A), provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the STC and, in the opinion of the Authority:

(a)

- (i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
- (ii) the appeal is on the grounds that:
  - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the applicable STC objectives; or
  - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the applicable STC objectives; and

(b) the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

6C. The procedures for the modification of the STC shall provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 6B, that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal; and
- (b) if the Authority quashes the panel's determination referred to at paragraph 6A(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 6A(d), the panel's determination of that modification shall be treated as a recommendation under sub-paragraph 6(b)(vi).

6D. The procedures for the modification of the STC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 6D (the "fast track self-governance route") where:

- (a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;
- (b) the panel unanimously determines that the modification should be made;
- (c) STC parties and the Authority have been notified of the proposed modification;
- (d) none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
- (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

6E. Without prejudice to paragraph 6GB, the procedures for the modification of the STC shall provide that proposals for the modification of the STC falling within the scope of

a significant code review may not be made during the significant code review phase, except:

- (a) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
- (b) at the direction of, or by, the Authority.

6F. The procedures for the modification of the STC shall provide that, where a modification proposal is made during a significant code review phase, the panel shall:

- (a) unless exempted by the Authority, notify the Authority as soon as practicable of:
  - i. any representations received in relation to the relevance of the significant code review; and
  - ii. the panel's assessment of whether the proposal falls within the scope of the significant code review and its reasons for that assessment; and
- (b) if the Authority so directs, not proceed with the modification proposal until the significant code review phase has ended.

6G. The procedures for the modification of the STC shall provide that if, within twenty-eight (28) days after the Authority has published its significant code review conclusions:

- (a) the Authority issues directions to the licensee, the licensee shall comply with those directions and shall treat the significant code review phase as ended;
- (b) the Authority issues to the licensee a statement that no directions under subparagraph (a) will be issued in relation to the STC, the licensee shall treat the significant code review phase as ended;
- (ba) the Authority raises a modification proposal in accordance with paragraph 6(a), the licensee shall treat the significant code review phase as ended;

- (bb) the Authority issues a statement that it will continue work on the significant code review, the licensee shall treat the significant code review phase as continuing until it is brought to an end in accordance with paragraph 6GA;
- (c) neither directions under sub-paragraph (a), nor a statement under sub-paragraph (b) or (bb), have been issued, nor a modification proposal under sub-paragraph (ba), has been made, the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6(vi).

6GA. The procedures for the modification of the STC shall provide that, if the Authority issues a statement under paragraph 6G(bb) and/or a direction in accordance with paragraph 6GD, the significant code review phase will be deemed to have ended when:

- (a) the Authority issues a statement that the significant code review phase has ended;
- (b) one of the circumstances in sub-paragraphs 6G(a) or (ba) occurs (irrespective of whether such circumstance occurs within twenty-eight (28) days after the Authority has published its significant code review conclusions); or
- (c) the Authority makes a decision consenting, or otherwise, to the modification of the STC following the panel's submission of its report under sub-paragraph 6GC(b).

6GB. The procedures for the modification of the STC shall provide that, where the Authority has issued a statement in accordance with paragraph 6G(bb) and/or a direction in accordance with paragraph 6GD, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 6GE(b) to the panel.

6GC. The procedures for the modification of the STC shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 6GB:

- (a) for the preparation of a panel report:



- (i) evaluating the proposed modification;
  - (ii) assessing the extent to which the proposed modification would better facilitate achieving the applicable STC objectives and providing a detailed explanation of the panel's reasons for that assessment (such assessment to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance on the treatment of carbon costs and evaluation of greenhouse gas emissions as may be issued by the Authority from time to time);
  - (iii) assessing, to the extent practicable, the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed modification;
  - (iv) assessing the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of the modification;
  - (v) including a recommendation by the panel, by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification should be made;
  - (vi) to the extent practicable, the inclusion in the report of the combined views of the STC parties concerning the modification or, where a combined view is not practicable, the views of each STC party; and
  - (vii) setting out a timetable for implementation of the modification, including the date with effect from which such modification (if made) would take effect;
- (b) for the submission of the report to the Authority as soon after the significant code review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraph (a);

- (c) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraph (b) upon, and in accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal; and
- (d) for the timetable (referred to in sub-paragraph (a)(vii)) for implementation of any modification to be either:
  - (i) in accordance with any direction(s) issued by the Authority; or
  - (ii) where no direction has been issued by the Authority, such as will enable the modification to take effect as soon as practicable after the Authority has directed that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted.
- (e) for the completion of each of the procedural steps outlined in this paragraph 6GC, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(ab).

The Authority's published conclusions and significant code review modification proposal shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6GC(a).

6GD. The procedures for the modification of the STC shall provide that, where a proposal has been raised in accordance with sub-paragraph 6G(a) or 6(ab), or by the Authority under paragraph 6(a) and it falls within the scope of paragraph 6GE(b), the Authority may issue a direction (a "backstop direction"), which requires such proposal(s) and any alternatives to be withdrawn and which causes the significant code review phase to recommence.

6GE. Modification proposals fall within the scope of this paragraph where:  
the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the

European Commission and/or the Agency; and/or the modification proposal is in respect of a significant code review.

~~the modification proposal is in respect of a significant code review.~~

6H. The procedures for the modification of the STC shall be consistent with the principles set out in the Code of Practice, to the extent that they are ———relevant.

7.

(a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vii), and the Authority is of the opinion that an modification set out in such report would, as compared with the then existing provisions of the STC and any alternative modification set out in such report, better facilitate achieving the applicable STC objectives, the Authority may direct the system operator to make that modification on behalf of the STC parties and the system operator shall provide a copy of the direction to all other STC parties.

(b) The system operator, on behalf of the STC parties, shall only modify the STC:

(i) ———in order to comply with any direction of the Authority pursuant to subparagraph (a); or

(ii) ———in order to comply with any direction from the Secretary of State to do so, so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period; or

(iii) with the consent of the Authority; or

(iv) in accordance with paragraph 6A (the “self-governance route”); or

(v) ———in accordance with paragraph 6D (the “fast track self-governance route”).

and it shall not have the power to modify the STC in any other circumstance; and the system operator shall furnish the Authority with a copy of any modification made.

- (c) Only the system operator shall have the power to modify the STC.
  - (d) The system operator shall ensure that a copy of any direction of the Authority pursuant to sub-paragraph (a) is made available to each STC party, including by way of publication.
  - (e) The system operator shall ensure that the other STC parties are furnished with a copy of any modification so made.
- 8. The system operator shall prepare and publish a summary of the STC as modified or changed from time to time in such form and manner as the Authority may from time to time direct.
- 9. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.
- 10. The STC Framework Agreement shall contain provisions:
  - (a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and
  - (b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.
- 11. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of modification), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the STC.

12. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for modification set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).
13. For the avoidance of doubt, paragraphs 11 and 12 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.
- 13A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that ~~—~~procedures are in place that facilitate its compliance with the requirements ~~—~~of this condition including, but not limited to, modifying the STC where ~~—~~necessary no later than 31 March 2017.
14. The licensee shall comply with any direction to the licensee made pursuant to this condition.
15. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the national electricity transmission system or to such extent as may be specified in the direction.
16. In this condition:

"applicable STC objectives" means the objectives set in paragraph 3.

Code of Practice" means the Code Administration Code of Practice  
approved by the Authority and:

(a) developed and maintained by the code  
administrators in existence from time to time; and

(b) amended subject to the Authority's approval  
from time to time; and

	<p><u>(c) re-published from time to time.</u></p>
<p><u>“directions”</u></p>	<p><u>means, in the context of paragraph</u></p> <p><u>6G(a), direction(s) issued following</u></p> <p><u>publication of</u></p> <p><u>significant code review</u></p> <p><u>conclusions which will contain:</u></p> <p><u>a) instructions to the licensee to make (and not</u></p> <p><u>withdraw, without the Authority's prior consent) a</u></p> <p><u>modification proposal;</u></p> <p><u>(b) the timetable for the licensee to comply with the</u></p> <p><u>Authority’s direction(s); and</u></p> <p><u>(c) the Authority’s reasons for its direction(s).</u></p>
<p><u>"fast track self-governance</u></p> <p><u>criteria"</u></p>	<p><u>means that a proposal, if implemented,</u></p> <p><u>(a) would meet the self-governance criteria; and</u></p> <p><u>(b) is properly a housekeeping modification</u></p> <p><u>required as a result of some error or factual change,</u></p> <p><u>including but not limited to:</u></p> <p><u>(i) updating names or addresses listed in</u></p> <p><u>the STC;</u></p> <p><u>(ii) correcting minor typographical errors;</u></p> <p><u>(iii) correcting formatting and consistency</u></p> <p><u>errors, such as paragraph numbering; or</u></p> <p><u>(iv) updating out of date references to other</u></p> <p><u>documents or paragraphs.</u></p>
<p><u>“maximum revenue”</u></p>	<p><u>has the meaning given in Special Condition 1.1</u></p> <p><u>(Interpretation and definitions) of the system</u></p> <p><u>operator’s transmission licence.</u></p>

"party entry processes"

means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.

"self-governance criteria"

means that a proposal, if implemented:

(a) is unlikely to have a material effect on:

(i) existing or future electricity consumers; and

(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and

(iii) the operation of the national electricity transmission system; and

(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(v) the STC's governance procedures or modification procedures, and

(b) is unlikely to discriminate between different classes of STC parties.

"self-governance statement"

means a statement made by the panel

and submitted to the

Authority in

accordance with paragraph 6A(a)(i)

(a) confirming that, in its opinion, the self-governance criteria are met and the modification is suitable for the self-governance route; and

	<u>(b) the panel’s reasons for that opinion.</u>
<u>“significant code review”</u>	<u>means a review of one or more</u> <u>_____ matters which the Authority</u> <u>considers _____ likely</u> <u>to:</u>  <u>(a) relate to the STC (either on its own or in</u> <u>conjunction with any other industry code(s)); and</u>  <u>(b) be of particular significance in relation to its</u> <u>principal objective and/or general duties (under</u> <u>section 3A of the Electricity Act), statutory</u> <u>functions and/or relevant obligations arising under</u> <u>EU law; and</u>  <u>_____ concerning which the Authority has issued a</u> <u>notice to the STC parties (among others, as</u> <u>appropriate) stating:</u>  <u>(i) that the review will constitute a significant code</u> <u>review;</u>  <u>(ii) the start date of the significant code review; and</u>  <u>(iii) the matters that will fall within the scope of the</u> <u>review.</u>
<u>“significant code review phase”</u> <u>_____</u>	<u>means the period</u> <u>(a) commencing either:</u> <u>(i) on the start date of a significant code</u> <u>review as stated by the Authority; or,</u>



(ii) on the date the Authority makes a direction under paragraph 6GD (a “backstop direction”);

and

(b) ending either:

(i) on the date on which the Authority issues a statement under sub-paragraph 6G(b) that no directions will be issued in relation to the STC; or

(ii) if no statement is made under sub-paragraph 6G(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under sub-paragraph 6G(a), or the Authority makes a modification proposal under paragraph 6G(ba); or

(iii) immediately under sub-paragraph 6G(c), if neither a statement, a modification proposal, nor directions are made by the Authority within (and including) twenty-eight (28) days from the Authority’s publication of its significant code review conclusions; or

(iv) if a statement has been made under sub-paragraph 6G(bb) or a direction has been made under paragraph 6GD, (a “backstop direction”) on the date specified in accordance with paragraph 6GA

"STC Procedures"

means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.

"transition modification provisions"

means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances.

~~"fast track self-governance criteria"~~

means ~~that a proposal, if implemented,~~

~~(a) — would meet the self-governance criteria; and~~

~~(b) — is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:~~

~~(i) — updating names or addresses listed in revenue received by the STC;~~

~~(ii) — correcting minor typographical errors;~~

~~(iii) — correcting formatting and consistency errors, such as paragraph numbering; or~~

"transmission network revenue"

~~(iv) — updating outsystem operator via~~

Transmission Network Use of System

Charges as per Section 14 of date references to other documents or paragraphs.

the CUSC

"Code of Practice"

means the Code Administration Code of Practice approved by the Authority and:

- (a) ~~developed and maintained by the code administrators in existence from time to time; and~~
- (b) ~~amended subject to the Authority's approval from time to time; and~~
- (c) ~~re-published from time to time.~~

Special Condition 1.1-

~~"directions"~~ \_\_\_\_\_ means, in the context of paragraph \_\_\_\_\_  
\_\_\_\_\_ 6G(a), direction(s) issued following \_\_\_\_\_  
\_\_\_\_\_ publication of significant code review \_\_\_\_\_ conclusions  
which will contain:

- ~~)- instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal;~~
- (b) ~~the timetable for the licensee to comply with the Authority's direction(s); and~~
- (c) ~~the Authority's reasons for its direction(s).~~

~~"self governance criteria"~~ \_\_\_\_\_ means that a proposal, if implemented:

- (a) ~~is unlikely to have a material effect on:~~
  - (i) ~~existing or future electricity consumers; and~~
  - (ii) ~~competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and~~

(iii) ~~the operation of the national electricity transmission system; and~~

(iv) ~~matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and~~

(v) ~~the STC's governance procedures or modification procedures, and~~

(b) ~~is unlikely to discriminate between different classes of STC parties.~~

~~“self governance statement” means a statement made by the panel~~  
~~and submitted to the Authority in~~  
~~accordance with paragraph 6A(a)(i)~~

(a) ~~confirming that, in its opinion, the self governance criteria are met and the modification is suitable for the self governance route; and~~

(b) ~~the panel's reasons for that opinion.~~

~~“significant code review” means a review of one or more~~  
~~matters which the Authority considers~~  
~~likely to:~~

~~(a) relate to the STC (either on its own or in conjunction with any other industry code(s)); and~~

~~(b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act), statutory functions and/or relevant obligations arising under EU law; and~~

~~—concerning which the Authority has issued a notice to the STC parties (among others, as appropriate) stating:~~

~~(i) that the review will constitute a significant code review;~~

~~(ii) the start date of the significant code review; and~~

~~(iii) the matters that will fall within the scope of the review.~~

~~“significant code review phase” means the period~~

~~(—) commencing either:~~

~~(—) on the start date of a significant code review as stated by the Authority; or,~~

~~(i) — on the date the Authority makes a direction under paragraph 6GD (a “backstop direction”);~~

and

~~(b) ending either:~~

~~(i) on the date on which the Authority issues a statement under sub-paragraph 6G(b) that no directions will be issued in relation to the STC; or~~

~~(ii) if no statement is made under sub-paragraph 6G(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under sub-paragraph 6G(a), or the Authority makes a modification proposal under paragraph 6G(ba); or~~

~~(iii) immediately under sub-paragraph 6G(e), if neither a statement, a modification proposal, nor directions are made by the Authority within (and including) twenty-eight (28) days from the Authority’s publication of its significant code review conclusions; or~~

~~(iv) if a statement has been made under sub-paragraph 6G(bb) or a~~

~~direction has been made under paragraph 6GD, (a “backstop direction”) on the date specified in accordance with paragraph 6GA.~~

## Condition B13: BETTA implementation

[Removed]

## Condition B14: BETTA run-off arrangements scheme

[Removed]

## Condition B15: ~~Regulatory Instructions and Guidance~~ (RIGs)

**Introduction** ~~The purpose of this~~

~~0.—1. This condition is to set~~sets out the scope, contents, and common governance arrangements for the ~~Regulatory Instructions and Guidance (“RIGs”) published by the Authority pursuant to this condition.~~

~~1.—~~2. The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the ~~Special Conditions~~special conditions of this licence and, where not referenced in the licence, the ~~final proposals.~~Final Determinations.

### ~~Part A: Licensee’s obligations under this condition~~

~~0.—Unless and so far as the Authority otherwise consents, the licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:~~

~~(—) to estimate, measure, and record the information detailed in the RIGs (“specified information”); and~~

~~to provide such information to the~~2. The Authority also uses this information in preparation of an Annual Report.

### Part A: The RIGs

~~(—) 3. The Authority in respect of such periods and within such timeframes as are specified in~~will issue and amend the RIGs.

~~To facilitate compliance with paragraph 3 of this condition, the accounting records and other records kept by the licensee with respect to the specified information must:~~direction.

- ~~(-) be so arranged as to ensure that such information can be separately identified and reasonably attributed as between the licensee's business and the business of any affiliate or related undertaking of the licensee; and~~
- ~~(-) be maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.~~

#### **~~Part B: Scope and content of the RIGs~~**

4. The Authority will maintain a current version of the RIGs on the Authority's Website.

5. Subject to paragraphs 6 and 7 of this condition, the ~~matters that may be included, or for which RIGs will make~~ provision ~~may be made, in the RIGs are~~for:

- (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing ~~specified information~~Specified Information;
- (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of ~~specified information~~Specified Information (including different classes of such information);
- (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
- (d) the methodology for calculating or deriving numbers comprising ~~specified information~~Specified Information;
- (e) provision with respect to the meaning of words and phrases used in defining ~~specified information~~Specified Information;



- (f) requirements as to the form and manner in which, or the frequency —with which, ~~specified information~~Specified Information must be recorded;
- (g) requirements as to the form and manner in which, or the frequency—\_with which, ~~specified information~~Specified Information must be provided to the Authority;
- (h) requirements as to which (if any) of the ~~specified information~~Specified Information is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person;
- (i) requirements as to the circumstances in which the Authority may appoint an ~~examiner~~Examiner to examine the recording of the ~~specified information~~Specified Information by the licensee;
- ~~(j)~~(j) a statement on whether and to what extent each category of the ~~specified information~~Specified Information is required for the purposes of the RIGs; ~~and~~
- ~~(k)~~ provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs ~~(as; and~~
- ~~(l)~~(l) instructions and guidance on the standards of accuracy and reliability that are applicable to which, see also Part E of this condition). the commentary that supports the information provided by licensees under the RIGs (to enable the Authority to assess efficiency and delivery of value to consumers).

6. The provisions of the RIGs ~~must~~will not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions.

~~No specified information may~~<sup>7.</sup> No Specified Information will exceed what could be requested from the licensee by the Authority under paragraph 1 of standard condition B4 (Provision of information to the Authority) excluding any reference to paragraph 5 of that condition.

### **Part C: ~~Development and modification of the RIGs~~**

~~0. The Authority may issue~~<sup>8.</sup> Before issuing new RIGs or ~~modify any existing RIGs by issuing a direction for that purpose to every licensee in whose licence this condition has effect.~~

~~0. Data collected in relation to amending the RIGs the relevant year commencing in 2012 must be reported according to the relevant reporting requirements provided for in these standard conditions as they were in force as at 31 March 2013.~~

~~0. A direction issued by the Authority under paragraph 8 will be of no effect unless the Authority has first:~~

~~(-) given notice to all licensees in whose licence this condition has effect that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:~~

~~(-) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;~~

~~setting out the text of the RIGs to be issued or (as the case may be) modified and publish on the Authority's reasons for proposing to issue or modify it; and Website:~~

~~specifying (a) the time (proposed text of the new or amended RIGs;~~

~~(b) the date on which will not be less than the Authority intends the new or amended RIGs to come into effect;~~

~~(c) the reasons for the new or amended RIGs; and~~

~~(-) (d) a period of 28 days from the date of the notice) within during which representations in response to such proposals may be made; and~~

~~considered any representations in response to the notice that are duly made and on the new or amended RIGs which will not withdrawn. be less than 28 days.~~

9. ~~The requirements for the issuing of new RIGs or modification of existing RIGs set out in paragraph 10~~paragraphs B15.8 of this condition may be satisfied by ~~actions~~action taken by the Authority before, as well as by action taken after ~~the coming into effect of this condition~~, 1 April 2021.

#### **Part D: ~~Requirements for new or more detailed information~~**

0. ~~This Part D applies if any modified or new RIGs have the effect of introducing a requirement to provide:~~

~~(-) a new category of specified information; or~~

~~an existing category of specified information to a greater level of detail,~~

~~which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.~~

0. ~~Where this Part D applies, the licensee may provide estimates to the Authority in respect of the relevant category of specified information for any relevant year specified by the Authority.~~

0. ~~The estimates that are mentioned in paragraph 13 of this condition may be derived from such other information available to the licensee as may be appropriate for that purpose.~~

#### **Part E Part B: Compliance with the provisions of the RIGs**

10. The licensee must comply with the RIGs.

11. The licensee must at all times comply have in place and maintain appropriate systems, processes, and procedures to enable it to:

(a) estimate, measure, and record Specified Information; and

(b) provide Specified Information to the Authority in accordance with the provisionsRIGs.

12. The accounting records and other records kept by the licensee with respect to the Specified Information must be:

(a) separately identified and reasonably attributed as between the licensee's business and the business of any affiliate or related undertaking of the licensee; and

(b) maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

13. The licensee must take all reasonable steps to validate and check that the Specified Information is complete, reliable and meets the standards prescribed by the RIGs.

14. The licensee must, on or before each submission date, write to the Authority to confirm that, in its opinion, the Specified Information in respect of each Regulatory Year meets the standards prescribed by the RIGs ~~for the time being in force pursuant to this condition.~~

15. Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

#### **Part C: Requirements for new or more detailed information**

16. This Part C applies if any new or amended RIGs have the effect of introducing a requirement to provide:

(a) a new category of Specified Information; or

(b) an existing category of Specified Information to a greater level of detail,

which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.

~~F:~~ 17. Where this Part C applies, the licensee may provide estimates to the Authority in respect of the relevant category of Specified Information for any Regulatory Year specified by the Authority.

18. The estimates that are mentioned in paragraph 17 of this condition may be derived from such other information available to the licensee as may be appropriate for that purpose.

#### **Part D: Derogations**

19. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

**Part E: Interpretation**

20. For the purposes of this condition:

Annual Report means a report of that name published by the Authority under Standard Licence Condition B15;

Authority's Website means [www.ofgem.gov.uk](http://www.ofgem.gov.uk);

~~examiner~~Examiner means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable ~~him~~them to properly carry out and complete the tasks required of ~~him~~them under the terms of ~~his~~their nomination by the Authority pursuant to the provisions of the RIGs~~;~~;

Final Determinations means the document of that name published on the Authority's Website in relation to the RIIO-2 price control;

Regulatory Year means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00. The first such Regulatory Year (t=1) commences on 1 April 2021 at 05:00 hours.

RIGs means the Regulatory Instructions and Guidance published by the Authority pursuant to Standard Licence Condition B15;

~~specified information~~  
Specified Information means information (or a category of information) that is so described or ~~defined~~required in the RIGs.

## Condition B16: ~~Electricity Network Innovation Strategy~~

### Introduction

~~B16.1.~~ The purpose of this condition is to ~~set an obligation on~~oblige the licensee to work with other parties to develop an Electricity Network Innovation Strategy. This ~~requirement~~obligation is intended to ensure that Relevant Network Licensees take a joined up approach to innovation, which results in coordinated action on priority areas that offer significant potential benefit, shared learning and the ~~minimising~~avoidance of unnecessary duplication.

~~B16.2.~~ This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Electricity Network Innovation Strategy.

### Part A: Requirement to create and maintain an Electricity Network Innovation Strategy

~~B16.3.~~ The licensee must develop and maintain an Electricity Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of an Electricity Network Innovation Strategy.

~~B16.4.~~ ~~The Relevant Network Licensees must prepare a plan for the development of the first Electricity Network Innovation Strategy by 31 August 2017. The first Electricity Network Innovation Strategy must be published by 31 March 2018.~~

~~B16.5.~~\_\_\_\_\_ The licensee must use ~~all~~ reasonable endeavours to work with all other Relevant Network Licensees to ensure that the ~~Energy~~Electricity Network Innovation Strategy is reviewed every two years and<sub>2</sub> where necessary<sub>7</sub>, in the majority view of Relevant Network Licensees, is also updated.

## Part B: Electricity Network Innovation Strategy

~~B16.6~~5. The Electricity Network Innovation Strategy must:

- (a) set out the procedures for updating it (which must include the requirement to consult with Interested Parties in accordance with Part C below and the biennial review referred to in paragraph ~~B16.54~~);
- (b) be kept up to date in accordance with the procedures referred to in paragraph ~~B16.6~~5(a); and
- (c) be readily accessible to the public from the licensee's ~~Website~~website.

~~B16.7.6.~~\_\_\_\_\_ The Electricity Network Innovation Strategy must include:

- (a) a description of the challenges and uncertainties<sub>2</sub> which the Relevant Network Licensees consider are pertinent to the electricity network over different time periods ~~that~~which could be addressed through innovative projects;
- (b) ~~a~~ description of the challenges<sub>2</sub> which are not currently being addressed through ~~industry~~innovative projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Interested Parties;
- (c) a description of the innovative projects and plans the Relevant Network Licensees intend to ~~make~~pursue in order to address the challenges referred to in paragraph ~~B16.76~~5(a) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the strategy will help to address those challenges;

- (d) -a description of the innovative projects and plans the Relevant Network Licensees intend to make pursue in relation to the gaps identified in paragraph B16.76(b) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the strategy Electricity Network Innovation Strategy will help to address those gaps. Consideration should be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to a gap identified in paragraph B16.76(b), a reason should be provided as part of this description;
- (e) a description of how Relevant Network Licensees will coordinate their activities on Innovation Projects to minimise unnecessary duplication of effort;
- (f) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects; and
- (g) any directions related to the Electricity Network Innovation Strategy issued by the Authority.

## Part C: Consultation

B16.87. The licensee must , in cooperation with Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Electricity Network Innovation Strategy. This includes stakeholders in cooperation with Relevant Network Licensees the following sectors:

(a) electricity;

(b) gas;

(c) heat

(d) refuse



(e) telecoms;

(f) transport; and

(g) water and wastewater.

8. The licensee must include ~~a consideration~~ in the Electricity Network Innovation Strategy:

(a) a description of those Interested Parties and stakeholders referred to in paragraph 7), with whom it has consulted; and

~~(a)~~(b) its analysis of any representations relevant to the requirements set out in paragraph 6), received in response to the consultation ~~within the Electricity Network Innovation Strategy.~~

## Part D: Interpretation

~~B16~~9. For the purposes of this condition:

**Electricity Network Innovation Strategy** means a document, or suite of documents, published by Relevant Network Licensees that complies, or together comply, with the requirements of this condition.

**Innovation Project** means a project funded by the Network Innovation Competition or the Network Innovation Allowance as established by Charge Restriction Conditions 2H and 5A of the Electricity Distribution Licence; Special ~~Conditions 3H and~~ Condition 5.2 of the Electricity Transmission Licence; Special Condition 3I of the Electricity Transmission Licence as in force on 31

March 2021; and amended Standard Conditions E12 – J11 of the Offshore Electricity Transmission Licence.

## Interested Parties

~~interested parties~~ include, but are not limited to, the Engineering and Physical Sciences Research Council, the Department of Business, Energy and Industrial Strategy, Innovate UK and their successor bodies and holders of an Electricity Transmission licence or an Electricity Distribution licence not regulated through the RIIO model.

## Relevant Network Licensee

means the holder of an Electricity Transmission Licence with condition B16 in effect in its licence, or an Electricity Distribution Licence with condition 48A in effect in its licence.

## Condition B20

## Condition B21

## Condition B23: Data ~~assurance requirements~~ Assurance Requirements Introduction

### Introduction

1. This condition ~~requires~~sets out the ~~licensee to undertake~~ processes and activities ~~for the purpose of reducing~~the licensee must undertake to reduce the risk, and subsequent

impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.

~~2. This condition comes into effect in this licence on~~ It outlines the earlier of:

~~3. process the date on which a data assurance direction in accordance with~~ Authority will follow in issuing and amending the provisions of Part B below has effect; and

~~4.2.1 April 2015~~ Data Assurance Guidance.

## Part A: Licensee's obligations ~~under this condition~~

~~5.3.~~ The licensee must:

- (a) comply with the provisions of the Data Assurance Guidance (~~“the DAG”~~), ~~being a document that will be incorporated into this licence condition by way of licence modification, the scope and contents of which are set out in Part C of this condition, as if it were a condition of this licence;~~
- (b) ~~subject to paragraph 4,~~ where required to provide ~~data~~ Data under the provisions of this licence, provide ~~accurate and complete data~~ Data which complies with the requirements set out in the Data Assurance Guidance;
- (c) carry out a ~~risk assessment~~ Risk Assessment in accordance with such provisions and timescales as are specified for that purpose in the ~~DAG~~ Data Assurance Guidance, and ensure that it has used its best endeavours to mitigate such risks as it has identified in that assessment;
- (d) if directed by the Authority, procure an independent review of its ~~data assurance activities~~ Data Assurance Activities in accordance with such provisions and timescales as are specified for that purpose in the ~~DAG~~ Data Assurance Guidance; and
- (e) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the ~~DAG~~ Data Assurance Guidance, reports that ~~variously~~ contain:

- (i) the results of the licensee's ~~risk assessment~~; Risk Assessment conducted under subparagraph (c);
- (ii) a description of the ~~data assurance activities~~ Data Assurance Activities that the licensee intends to undertake concerning expected future ~~data~~ Data submissions for the relevant reporting period set out in the ~~DAG~~ Data Assurance Guidance;
- (iii) a description of the ~~data assurance activities~~ Data Assurance Activities undertaken by the licensee concerning previously submitted ~~data~~ Data for the relevant reporting period set out in the ~~DAG~~ Data Assurance Guidance; and
- (iv) if required, the details and results of the independent review procured by the licensee of its ~~data assurance activities~~ Data Assurance Activities.

~~6.—Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition.~~

~~7.4.~~ The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 3.

~~8.5.~~ The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific ~~data assurance activity~~ Data Assurance Activity in accordance with the provisions of Part ~~EC~~.

**Part B: ~~Requirement for consultation before giving a direction~~**

~~(e) —A data assurance direction is of no effect unless, before issuing it, the Authority has first:~~

~~(a) given notice to all licensees in whose licence this condition has effect that it proposes to issue the direction:~~

~~5.—specifying the date on which it proposes that it should have effect;~~

~~1. setting out the text of the direction and the Authority's reasons for proposing to issue it;~~

~~1. specifying the time (which must not be a period of less than 28 days from the date of the notice) within which representations or objections with respect to the proposal may be made; and~~

~~(a) considered any representations or objections in response to the notice that are duly made and not withdrawn.~~

### **~~Part C: Scope and contents of the~~ Data Assurance Guidance**

~~6. The DAG may from time to time be revised~~Authority will issue and amend the Data Assurance Guidance by the~~direction.~~

~~9.7. The Authority under Part D of this condition~~will publish the Data Assurance Guidance on the Authority's Website.

~~10. The purpose of the DAG is to establish a process under which the licensee must comply with its obligations as set out in paragraph 3(b) to (e).~~

~~11.8. Subject to paragraphs 12 and 13, the DAG may~~The Data Assurance Guidance will include, or make provision for, any of the following matters:

- (a) the ~~data~~Data to which the ~~risk assessment~~Risk Assessment applies;
- (b) the format (including its form, layout, scope and content) of the ~~risk assessment~~Risk Assessment;
- (c) the frequency with which and the timescales within which the ~~risk assessment~~Risk Assessment is required to be carried out;
- (d) the format (including its form, layout, scope and content) of any independent review that may be required of the licensee's ~~data assurance activities~~Data Assurance Activities and the associated reporting requirements;

- (e) the format (including its form, layout, scope and content) of the reporting requirements detailed in paragraph 3(e);
- (f) the frequency with which and the timescales within which the licensee should report on its ~~data assurance activities~~ Data Assurance Activities to the Authority; and
- (g) the time period(s) to which required reports must relate.

~~(e) — Reference in paragraph 10 to the format of an assessment, review, or reporting requirement includes references to its form, layout, scope and content.~~

~~12.9.~~ The provisions of the ~~DAG must~~ Data Assurance Guidance will not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions ~~and relative to~~ the impact on consumers of data reporting errors.

~~13.10.~~ ~~No information to be provided to~~ Information requested by the Authority under or pursuant to the requirements of the ~~DAG may~~ Data Assurance Guidance will not exceed what could be requested from the licensee by the Authority pursuant to Standard Condition B4 (Provision of information to the Authority).

#### ~~14. Part D: Modification of~~ Before issuing or amending the **Data Assurance Guidance**

~~15.11.~~ The ~~DAG may be modified~~ by direction the Authority ~~from time to time by~~ direction will publish on the Authority's Website:

~~(a) — A direction issued by the Authority under paragraph 14 is of no effect unless the Authority has first:~~

~~(b) — given notice to all licensees in whose licence this condition has effect that it proposes to modify the DAG:~~

~~(a) — specifying the proposed text of the new or amended Data Assurance Guidance;~~

~~(e)~~ — the date on which ~~it proposes that the provisions of the document to be issued or modified should take effect;~~

~~(d)(b)~~ setting out the Authority intends the text of the DAG to be modified and the Authority's reasons for proposing to modify it; new or amended Data Assurance Guidance to come into effect;

~~(c)~~ specifying the time (which must not be less than the reasons for the new or amended Data Assurance Guidance; and

~~(e)(d)~~ a period of 28 days from the date of the notice) withinduring which representations ~~concerning such proposals may be made; and on the new or amended Data Assurance Guidance, which will not be less than 28 days.~~

~~considered any representations in response to the notice that are duly made and not withdrawn.~~

#### ~~Part E: Authority's power to specify data assurance activity~~

#### Part C: Licensee's obligation to carry out a Data Assurance Activity

~~16.12.~~ The Authority may, after consulting with the licensee, issue a ~~must comply with any direction, in accordance with the provisions of paragraph 17, by the Authority requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such data assurance activity~~Data Assurance Activity as may be specified in the direction.

~~13. The requirements for the~~ Before issuing a direction under paragraph ~~16 are that~~12 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the date on which the Authority intends the direction to come into effect;

~~(a)(c)~~ the reasons why it mustproposes to issue the direction; and

~~(d) contain a period during which representations may be made on the proposed~~directions which will not be less than 28 days.

14. The direction will set out:

- (a) a description of the ~~data assurance activity~~ Data Assurance Activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of ensuring the accuracy and completeness of data provided to the Authority;
- (b) that, if it refers to a person nominated by the Authority, ~~specify~~ the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;
- (c) ~~contain~~ a description of the ~~data~~ Data to which the activity that is described in the direction must apply;
- (d) ~~contain~~ an explanation of why the Authority requires the licensee to carry out that activity;
- (e) ~~specify~~ any relevant dates by which that activity must be completed; and
- (f) ~~specify~~ the form and content of any information relating to that activity that the licensee must provide to the Authority.

**Part ~~F~~ D: Derogations**

~~17.15.~~ 15. The licensee may apply to the Authority ~~may, after consulting with the licensee,~~ give for a ~~direction~~ (“derogation”) to relieving the licensee ~~that relieves it~~ of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified ~~in~~ by the Authority by direction after consulting the licensee.

**Part ~~G~~ E: Interpretation**

~~18.16.~~ 16. For the purposes of this condition:

~~data~~ Data

means the relevant submissions to the Authority under this licence in respect of which the licensee



must carry out a ~~risk-assessment~~Risk Assessment, as specified in the ~~DAG~~Data Assurance Guidance;

~~data-assurance-activity~~Data Assurance Activity

means, in respect of ~~data~~Data, the activity undertaken by the licensee (or a person nominated by the Authority, as the case may be) to address the risks identified in the ~~risk assessment~~;Risk Assessment; and

~~data-assurance-direction~~

~~means a direction by the Authority to bring into effect this condition; and~~

~~risk-assessment~~Risk Assessment

means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority under this licence.

## Condition B24: Housekeeping [New condition]

### Introduction

1. The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.

### Part A: Assessment of proposed modification

2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.
3. In making the assessment required by paragraph 2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

### Part B: Circumstances in which a modification may be made

4. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of the conditions of this licence are a Housekeeping Modification, it may modify the licence by direction. Otherwise any modification will be made under section 11A of the Act.

5. Before making a direction under paragraph 4, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the reasons for the proposed direction, including why the Authority believes that it is a Housekeeping Modification; and
6. (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days. A direction under paragraph 4 will set out:
- (a) the modifications to the conditions of this licence; and
  - (b) the date on which it is to have effect or the mechanism by which that date is to be determined.

### **Part C: Interpretation**

7. For the purpose of this condition:

Housekeeping Modification Working Group	means a working group established for the purposes of considering proposed Housekeeping Modifications under SLC B24 condition.
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means minor changes such as:

- |                           |   |
|---------------------------|---|
| Housekeeping Modification | (a) renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired;     |
|                           | (c) corrections of evident mistakes including typographical errors, incorrect cross-references and formatting errors; |
|                           | (d) updates to:   |
|                           | (i) version numbers of other documents mentioned in the licence;  |
|                           | (ii) the titles of re-enacted legislation;  |
|                           | (iii) names of bodies that have been renamed.   |

## SECTION C: SYSTEM OPERATOR STANDARD CONDITIONS

### Condition C16: Procurement and use of balancing services

#### The Introduction

1. This condition sets out the processes and activities the licensee shall must undertake for the procurement of balancing services, used to assist in co-ordinateordinating and directdirecting the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner. This includes but is not be limited to the following:
  - ~~(a) — taking the most efficient actions to balance the national electricity transmission system based on the information the licensee had at the time; and~~
  - ~~(b) — taking into account the impact such actions have on competition in the wholesale electricity market and on the total system;~~
  - ~~— and in doing so, the licensee shall:~~
    - ~~(i) — compare the costs of actions outside the balancing mechanism with the likely costs of actions inside the balancing mechanism; and~~
    - ~~(ii) — consider the likely impact any such action would have on:~~
      - ~~(aa) — wholesale electricity market price signals;~~
      - ~~(bb) — the behaviour of electricity market participants; and~~
      - ~~(cc) — the efficiency of the national electricity transmission system;~~
  - ~~(c) — considering the impact any action would have on the total system;~~
  - ~~(d) — optimising the timing of transmission outages under the outage plan on the national electricity transmission system;~~
  - ~~(e) — publishing information which the licensee holds to enable electricity market participants to make efficient operational and investment decisions;~~
  - ~~(f) — producing and publishing accurate and unbiased forecasts of:~~
    - ~~(i) — indicated margin;~~
    - ~~(ii) — demand;~~
    - ~~(iii) — wind generation output; and~~

- ~~(iv) —balancing costs;~~
- ~~(g) —ensuring the procurement of balancing services is transparent;~~
- ~~(h) —ensuring that the technical requirements of balancing services do not unduly restrict new and existing balancing service providers from competing in the provision of such services; and~~
- ~~(i) —anticipating future national electricity transmission system requirements by using and developing competitive approaches to procuring balancing services wherever this is in the best interests of current and future electricity consumers in Great Britain.~~

### **Part A: Licensee’s obligations under this condition**

2. Having taken into account relevant price and technical differences, the licensee ~~shall~~must not discriminate as between any persons or classes of persons in its procurement or use of balancing services.

### **3. The licensee must prepare the following:**

- (a) Procurement guidelines statement (and associated report) described in Part B of this condition;
- (b) Balancing principles statement (and associated report) described in Part C of this condition;
- (c) Balancing services adjustment data methodology statement described in Part D of this condition;
- (d) System management action flagging methodology statement described in Part E of this condition; and
- (e) Applicable balancing services volume data methodology statement described in Part F of this condition.

### **Part B: Procurement guidelines statement**

- ~~3.4.~~ (a) The licensee ~~shall~~must before the effective time and thereafter at 12 monthly intervals (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out the kinds of balancing services which it may be interested in purchasing in the period until the next statement is due and the mechanisms by which it would envisage purchasing them.

- (b) Where during the term of the statement referred to in sub-paragraph (a) the licensee's intentions change regarding the types of services it wishes to purchase, the licensee ~~shall~~must review the statement and consider whether any revision to the statement is necessary and promptly seek to establish a revised statement in accordance with the terms of paragraph 8 of this condition.

~~4.5.~~ Within one month after the date on which each statement (other than the first one) is due to be published pursuant to paragraph 3, the licensee ~~shall~~must prepare a report in a form approved by the Authority in respect of the balancing services which the licensee has bought or acquired (other than balancing services which the licensee has acquired through the mere acceptance of an offer or bid in the balancing mechanism, provided such offer or bid was not made pursuant to any prior agreement) in the period of 12 months (or such longer period as the Authority may approve) ending on the date referred to above.

### Part C: Balancing principles statement

~~5.6.~~

- (a) The licensee ~~shall~~must before the effective time prepare a statement approved by the Authority setting out (consistently with the licensee's duty under paragraph 2 and consistently with its other duties under the Act and the conditions of its transmission licence) the principles and criteria by which the licensee will determine, at different times and in different circumstances, which balancing services the licensee will use to assist in co-ordinating and directing the flow of electricity onto and over the national electricity transmission system (and/or to assist in doing so efficiently and economically), and when the licensee would resort to measures not involving the use of balancing services.
- (b) The licensee ~~shall~~must if so directed by the Authority or when any modification should be made to the statement referred to in paragraph ~~56~~(a) to more closely reflect the intentions of the licensee but in any event at least once a year, review the statement prepared pursuant to sub-paragraph (a) and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraph 8 of this condition.

~~(e)~~—The licensee ~~shall~~must as soon as practicable:

~~(-)~~—after 1 April 2002, in respect of the period beginning at the effective time and ending on 1 April 2002;

~~(-)~~—after 30 September 2002, in respect of the period beginning on 1 April 2002 and ending on 30 September 2002; and

~~(-)~~—after 30 September 2003~~2021~~ and in each subsequent year, in respect of each period of twelve months commencing on 1 October and ending on 30 September

~~(g)~~~~(c)~~, prepare a report on the manner in which and the extent to which the licensee has, during that period, complied with the statement prepared pursuant to sub-paragraph (a) together with any revision made in accordance with paragraph 8 of this condition and whether any modification should be made to that statement to more closely reflect the practice of the licensee.

~~(h)~~~~(d)~~ The report prepared pursuant to sub-paragraph (c) ~~shall~~must be accompanied by a statement from an independent auditor of internationally recognised standing appointed by the licensee that they have carried out an investigation the scope and objectives of which ~~shall~~must have been established by the licensee and approved by the Authority, and they ~~shall~~must give their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to sub-paragraph (a) together with any revision made in accordance with paragraph ~~8~~9 of this condition.

#### **Part D: Balancing services adjustment data methodology statement**

~~6.7.~~\_\_

(a) This paragraph applies where the BSC provides that any imbalance price is to be determined (in whole or in part) by reference to the costs and volumes of relevant balancing services.

(b) Where this paragraph applies the licensee ~~shall~~must:

(i) before the effective time, establish a balancing services adjustment data methodology approved by the Authority;

- (ii) from time to time thereafter, when the licensee first buys, sells or acquires any relevant balancing services of a kind or under a mechanism which is not covered by the prevailing balancing services adjustment data methodology, promptly seek to establish a revised balancing services adjustment data methodology approved by the Authority which covers that kind of balancing services or mechanisms for buying, selling or acquiring them;
- (iii) prepare a statement of the prevailing balancing services adjustment data methodology as approved by the Authority; and
- (iv) at all times determine and provide (for use under the relevant provisions of the BSC) the costs and volumes of the relevant balancing services in compliance with the prevailing balancing services adjustment data methodology, which are to be taken into account in determining imbalance price(s) under the BSC.

The licensee ~~shall~~must when any modification should be made to the statement referred to in sub-paragraph ~~67~~ (b)(iii) to more closely reflect the intentions of the licensee review the statement prepared pursuant to sub-paragraph ~~67~~ (b)(iii) and promptly seek to establish a revised statement approved by the Authority made in accordance with terms of paragraph 8 of this condition.

#### **6A Part E: System management action flagging methodology statement**

7A. (a) This paragraph applies to the extent that the BSC provides that the licensee ~~shall be~~is required to identify balancing services which relate to system management.

(b) Where this paragraph applies, the licensee ~~shall~~must, before 5 November 2009, in writing:

- (i) establish a system management action flagging methodology approved by the Authority; and
- (ii) prepare a statement of the prevailing system management action flagging methodology as approved by the Authority.

and at all times thereafter use its reasonable endeavours to identify the balancing services which the BSC requires it to identify as relating to system management in accordance with the prevailing system management action flagging methodology and provide records (for use under the relevant provisions of the BSC) of those balancing services which the BSC requires ~~shall~~must be taken into account in determining imbalance price(s).

- (c) The licensee ~~shall~~must, if so directed by the Authority or when it considers that any modification should be made to the statement referred to in sub-paragraph ~~6A7A~~(b)(ii) more accurately to identify the balancing services which relate to system management, review the statement prepared pursuant to sub-paragraph ~~6A7A~~(b)(ii) and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraph 8 of this condition.

**Part F: Applicable balancing services volume data methodology statement**

~~7.8.~~

- (a) This paragraph applies where the BSC provides that any applicable balancing services volume data is to be determined (in whole or in part) by reference to the volumes of energy associated with the provision of applicable balancing services.
- (b) Where this paragraph applies the licensee ~~shall~~must:
- (i) before the date this paragraph comes into effect, establish an applicable balancing services volume data methodology approved by the Authority;
  - (ii) Not used;
  - (iii) prepare a statement of the prevailing applicable balancing services volume data methodology as approved by the Authority; and
  - (iv) at all times determine and provide (for use under the relevant provisions of the BSC) the volumes of applicable balancing services in compliance with the prevailing applicable balancing services volume data methodology,



which are to be taken into account in determining applicable balancing services volume data under the BSC.

- (c) The licensee ~~shall~~must when any modification should be made to the statement referred to in sub-paragraph 78(b)(iii) to more closely reflect the intentions of the licensee review the statement prepared pursuant to sub-paragraph 78(b)(iii) and promptly seek to establish a revised statement approved by the Authority made in accordance with terms of paragraph 8 of this condition.

## Part G: Governance

~~8.9.~~ (a) Except where the Authority directs otherwise, before revising the statements prepared pursuant to paragraphs ~~3(a), 54(a), 6(a), 7(b)(iii), 6A7A(b) (ii) and 78(b)(iii)~~ and each revision thereof the licensee ~~shall~~must:

- (i) send a copy of the proposed revisions to the Authority and to any person who asks for one;
- (ii) consult BSC parties on the proposed revisions and allow them a period of not less than 28 days in which to make representations;
- (iii) submit to the Authority within seven (7) days of the close of the consultation period referred to in sub-paragraph ~~89(a) (ii)~~ above a report setting out  
  
the revisions originally proposed,  
  
the representations (if any) made to the licensee,  
  
any changes to the revisions, and
- (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) or any of them ~~shall~~must not apply, comply with such other requirements as are specified in the direction.

- (b) The licensee ~~shall~~must not revise the statements referred to in paragraphs ~~3(a), 54(a), 6(a), 7(b)(iii), 6A7A(b) (ii) and 78(b)(iii)~~ and each revision thereof until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph (a)(iii) unless prior to such date the Authority either:

- (v) directs the licensee to make the revisions on an earlier date; or
- (vi) directs the licensee not to make the revision.

~~9.10.~~ The licensee ~~shall~~must take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph ~~56~~(a).

~~10.11.~~ The licensee ~~shall~~must send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs ~~3~~, 4, 5, 6, ~~6A7, 7A~~ and ~~78~~ and of all revisions to any such statements made in accordance with the terms of paragraph 8 of this condition.

~~11.12.~~ The licensee ~~shall~~must:

- (a) publish (in such manner as the Authority may approve from time to time) the statements prepared pursuant to paragraphs ~~3(a), 54(a)~~, 6(a), ~~7(b)(iii)~~, ~~6A7A(b)~~ (ii) and ~~78(b)(iii)~~ and each revision thereof, and
- (b) send a copy of each statement and report prepared pursuant to paragraphs ~~3~~, 4, 5, 6, ~~6A7, 7A~~ and ~~78~~ or the latest revision of any such statements to any person who requests the same, provided that the licensee ~~shall~~must exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,

and, for the purposes of paragraph (b), the licensee ~~shall~~must refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

~~12.13.~~ The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph ~~11.12~~(b) of any amount reasonably reflecting the licensee's reasonable costs of providing such a copy which ~~shall~~must not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

~~13.14.~~ The licensee ~~shall~~must, unless the Authority otherwise consents, maintain for a period of six years:

- (a) particulars of all balancing services offered to it;

- (b) particulars of all contracts (other than those in the balancing mechanism) for balancing services which it entered into;
- (c) particulars of all contracts for balancing services entered into by way of the acceptance of a bid or offer in the balancing mechanism where the bid or offer was made pursuant to a prior agreement;
- (d) records of all balancing services called for and provided; and
- (e) records of quantities of electricity imported and exported across each interconnector(s).

~~14.15.~~ The licensee ~~shall~~must provide to the Authority such information as the Authority shall request concerning the procurement and use of balancing services.

#### Part H: Interpretation

~~15.16.~~ In this condition:

active power	<del>shall</del> <u>must</u> have the same meaning as that given to that term in the Grid Code.
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<del>"adverse effects"</del>	means any impact on the continued stability of operation of the national electricity transmission system including, but not limited to, any effect on the frequency or voltage of the electricity transmitted on all or any part of the national electricity transmission system <del>5.2</del>
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<del>"applicable balancing services"</del>	means those services that the Authority directs the licensee to treat as applicable balancing services <del>5.2</del>
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<del>"applicable balancing services volume data"</del>	means the amount of energy deemed by virtue of the applicable balancing services volume methodology to have been produced or consumed as a result of delivering applicable balancing services <del>5.2</del>
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"applicable balancing  
services volume data  
methodology"

means a methodology to be used by the licensee to determine what volumes of applicable balancing services are to be taken into account under the BSC for the purposes of determining in whole or in part the applicable balancing services volume data in any period, which methodology shall cover each of the applicable balancing services which the licensee buys, sells or acquires at the time at which the methodology is established.

balancing costs

means the costs incurred by the licensee to balance the national electricity transmission system.

"balancing services  
adjustment data  
methodology"

means a methodology to be used by the licensee to determine what costs and volumes of relevant balancing services are to be taken into account under the BSC for the purposes of determining in whole or in part the imbalance price(s) in any period, which methodology ~~shall~~ must cover each of the kinds of balancing services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.

demand

means taking, or being able to take, megawatts (MW) of electricity (active power) from the total system.

"imbalance price"

means a price, in the BSC, for charging for imbalances as referred to in paragraph 2(b)(ii) of standard condition C3 (Balancing and Settlement Code (BSC)).

indicated margin

shall have the same meaning as that given to that term in the Grid Code.

“interconnected TSO”

means the operator of any transmission system outside of the national electricity transmission system operator area whose transmission system is connected to the national electricity transmission system by one or more interconnectors (irrespective of the ownership of those interconnectors<sup>2</sup>).

“relevant balancing services”

means balancing services other than

- (a) those which the licensee has acquired through the mere acceptance of an offer or bid in the balancing mechanism, provided that such offer or bid was not made pursuant to any prior agreement, and
- (b) those which the Authority directs the licensee not to treat as relevant balancing services.

“system management”

means:

- (a) the licensee’s management of transmission constraints;
- (b) the licensee’s management of adverse effects on the national electricity transmission system arising from changes in electrical flows over any interconnector which are not the result of actions taken by an interconnected TSO; and
- (c) actions by any interconnected TSO which have an effect on the national electricity transmission system<sup>2</sup>.

“system management action flagging methodology”

means a methodology to be used by the licensee which, in the licensee’s opinion, will enable it to use reasonable endeavours to identify those balancing services which the

BSC requires it to identify as relating to system management<sup>2</sup>.

“transmission constraint”<sup>22</sup> means any limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated, such limit arising as a result of any one or more of:

- (a) the need not to exceed the thermal rating of any asset forming part of the national electricity transmission system;
- (b) the need to maintain voltages on the national electricity transmission system; and
- (c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the national electricity transmission system<sup>23</sup>.

and used by the licensee to operate the national electricity transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in standard condition C17 (Transmission system security standard and quality of service) or any other provision of the Act, this licence or any other requirement of law.

wind generation output means the active power output in MW from each wind generator in respect of which operational metering is installed (excluding that relating to wind generators accepted as bids and offers in the balancing mechanism<sup>24</sup>).

## **Condition C28: Functions for an efficient, co-ordinated and economic system operator [New condition]**

### ***Introduction***

1. The purpose of this condition is to ensure that the licensee carries out its functions, as system operator, and to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system, in an efficient, co-ordinated and economic manner.
2. The effect of this condition is to provide greater clarity on the obligations of the licensee, in carrying out its functions as electricity system operator, across the scope of its roles.
3. This condition also sets out the process the Authority will follow in issuing and amending the Roles Guidance.

### ***Part A: Functions for an economic, efficient & co-ordinated system operator***

4. The licensee must carry out its functions, as system operator, to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system, in an efficient, co-ordinated and economic manner. This includes but is not limited to the following:
  - (a) taking the most efficient actions to operate the national electricity transmission system based on all of the relevant information the licensee had available at the time;
  - (b) taking into account the impact such actions have on competition in the wholesale electricity market and on economic, efficient and coordinated operation and development of the total system,and in doing so, the licensee must:
  - (i) consider the likely impact any such action would have on:

- (aa) wholesale electricity market price signals;
  - (bb) the behaviour of electricity market participants; and
  - (cc) the efficiency of the national electricity transmission system;
- (c) considering the impact any action would have on the total system;
- (d) optimising the timing of transmission outages under the outage plan on the national electricity transmission system;
- (e) publishing easily accessible information which the licensee holds to generate value for consumers and stakeholders, including but not limited to, ensuring information services are designed to meet the needs of the service users;
- (f) publishing reliable scenarios of the long term development of the energy system and its needs under different scenarios;
- (g) producing and publishing accurate and unbiased forecasts of:
  - (i) indicated margin;
  - (ii) demand;
  - (iii) wind generation output;
  - (iv) carbon intensity;
  - (v) balancing costs; andusing its reasonable endeavors in producing and publishing reliable and unbiased forecasts of:
  - (vi) solar generation output;
- (h) procuring balancing services to ensure operational security subject to the following:
  - (i) ensuring the procurement of balancing services is subject to transparent, non-discriminatory and market-based procedures;and in doing so, the licensee must:



- a) publish total costs and volumes of each balancing service represented in a consistent form across an appropriate time segmentation;
  - b) publish price, payment structure, volumes, capacity, technology type, length and end dates for all contracts held with balancing service providers for each service, where appropriate in an anonymised or aggregated format; and
  - c) signal as far in advance as reasonably possible the forecasts volumes of all services the licensee will need to procure to operate the system;
- (i) ensuring the effective and non-discriminatory participation of all qualified market participants in the provision of balancing services, including not unduly restricting new and existing service providers from competing for the provision of such services, and in doing so, the licensee must:
- (i) in close cooperation with all market participants, establish technical requirements for participation in those markets; and
  - (ii) subject to approval by the Authority and consultation with licensed distributors and relevant users of the distribution system and national electricity transmission system, establish the specifications for the non-frequency balancing services procured and, where appropriate, standardised market products for such services;
- (j) monitoring balancing services markets for potential breaches of the Grid Code, investigating where necessary and raising concerns to Ofgem where appropriate;
- (k) anticipating future national electricity transmission system requirements by using and developing competitive approaches to procuring balancing services wherever this is in the best interests of current and future electricity consumers in Great Britain;
- (l) facilitating an economic and efficient transition to a zero carbon energy system;

- (m) providing accurate and timely guidance to all industry parties on the relevant rules for the Contracts for Difference (CfD) and Capacity Market (CM) prequalification and auction processes;
- (n) co-ordinating and cooperating with transmission owners and licensed distributors to identify actions and processes that advance the efficient and economic operation of the networks;
- (o) using best endeavours to implement actions and processes identified and proposed through its activities under paragraph C28.4 (n) of this condition that are in the interest of the efficient and economic operation of the total system;
- (p) exchanging all necessary information and co-ordinating with licensed distributors in so far as is necessary to ensure the optimal utilisation of resources, to ensure the economic and efficient operation of the system and to facilitate market development;
- (q) proposing and supporting code arrangements that promote the relevant code objectives in a timely manner;
- (r) developing, managing and maintenance of the process for the methodologies for use of system charging;
- (s) managing connection applications for access to the national electricity transmission network in a fair, consistent and timely manner; and
- (t) ensuring coordination with other network operators and interested parties and identifying and delivering the most efficient network planning and development of solutions to meet future transmission network needs. These solutions should include, but are not limited to, solutions that cost-effectively alleviate the need to upgrade or replace electricity network capacity

***Part B: Roles Guidance***

5. The function of the Roles Guidance is to provide further explanation of the system operator's roles and the associated behaviours, which underpin the system operator's regulatory framework.
6. The Authority will issue and amend the Roles Guidance by direction.

7. The Authority will publish the Roles Guidance on the Authority's website.
8. Before issuing new or amending the Roles Guidance, the Authority will publish on its website:
  - (a) the text of the amended Roles Guidance;
  - (b) the date the Authority intends the amended Roles Guidance to come into effect;
  - (c) the reasons for the amendments to the Roles Guidance; and
  - (d) the time within which representations may be made on the amendments to the Roles Guidance which may not be less than 28 days.

***Part C: Derogation***

9. The Authority may, at its own discretion, or on application by a licensee, grant a derogation from the licensee's obligation to procure non-frequency balancing services using market-based procedures (as required under paragraph C28.4 (i) where the Authority has determined that compliance with the market-based provision is economically not efficient.

***Part D: Defined terms***

10. In this condition:

active power	has the same meaning as that given to that term in the Grid Code.
balancing costs	means the costs incurred by the licensee to balance the national electricity transmission system.
carbon intensity	means how much CO <sub>2</sub> emissions are produced per kilowatt hour (KWh) of electricity consumed.
code arrangements	means the networks codes the licensee is party to.

Capacity Market (“CM”)	means the scheme established by the Electricity Capacity Regulations 2014 (as amended) and the Capacity Market Rules (as amended) to which the licensee is the nominated delivery body.
Contracts for Difference (“CfD”)	means a Contract for Difference under Chapter 2 of Part 2 of the Energy Act 2013 (as amended) to which the licensee is the nominated delivery body.
demand	means taking, or being able to take, megawatts (MW) of electricity (active power) from the total system.
indicated margin	has the same meaning as that given to that term in the Grid Code.
solar generation output	means the active power output in MW from each solar generator in respect of which operational metering is installed (excluding that relating to wind generators accepted as bids and offers in the balancing mechanism).
wind generation output	means the active power output in MW from each wind generator in respect of which operational metering is installed (excluding that relating to wind generators accepted as bids and offers in the balancing mechanism).
zero carbon energy system	means a zero carbon power system that supports the net zero carbon target as set out in the Climate Change Act 2008.

## **SECTION E: OFFSHORE TRANSMISSION OWNER STANDARD CONDITIONS**

**Condition E2**

**Condition E7**

**Condition E23**

**Condition E24**