

Annex 4. End of the transition period – Modification of the licence conditions of the electricity transmission licence

To: All holders of an electricity transmission licence

Electricity Act 1989

Section 11A(1)(a) and (b)

Modifications to the standard conditions of all electricity transmission licences, the special conditions of National Grid Electricity Transmission Plc, National Grid Electricity System Operator Limited (NGESO), Scottish Hydro Electric Transmission Plc, and SP Transmission Plc, and the Amended Standard Conditions of all Electricity Offshore Transmission licences.

1. Each of the licensees to whom this document is addressed has a transmission licence which has been granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (the Act).
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 2 separate occasions: On 14 January 2019 ('Notice 1') and on 26 November ('Notice 2') that we propose to modify the standard conditions in accordance with the provisions of section 11A(1)(b) as set out below:

2.1 Notice 1

- SLC A1 (Definitions and interpretation)
- SLC B3 (Disposal of relevant assets and restrictions on charges over receivables)
- SLC B20 (Regional Cooperation)
- SLC B21 (Notification of changes that may affect eligibility for certification)
- SLC C11 (Production of information about the national electricity transmission system)
- SLC C27 (The Network Options Assessment process and reporting requirements)
- SLC E2 (Regulatory Accounts)
- SLC E5 (Provision of information to the Authority)
- SLC E23 (Notification of changes that may affect eligibility for certification)
- SLC E24 (Regional Cooperation)

2.2 Notice 2

- SLC A1 (Definitions and interpretation)
- SLC B3 (Disposal of relevant assets and restrictions on charges over receivables)
- SLC B21 (Notification of changes that may affect eligibility for certification)
- SLC E23 (Notification of changes that may affect eligibility for certification)

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

We stated that any representations to this modification proposal must be made on or before 15 February 2019, and 24 December 2020 for Notice 1 and Notice 2 respectively

3. Further, the Authority gave notice on 14 January 2019 ('Notice 1') that we propose to modify Amended Standard conditions of the following Electricity Offshore Transmission Licensees: TC Westernmost Rough OFTO Limited, Humber Gateway OFTO Limited, Diamond Transmission Partners BBE Limited, TC Dudgeon OFTO plc granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending the Amended Standard Licence Conditions under section 11A(1)(a):

- E12-A1 (Definitions and Interpretation)

We stated that any representations to this modification proposal must be made on or before 15 February 2019.

4. Further, the Authority gave notice on 14 January 2019 ('Notice 1') that we propose to modify the Amended Standard conditions of the following Electricity Offshore Transmission Licensees: TC Robin Rigg OFTO Limited, TC 2 Barrow OFTO Limited, TC Gunfleet Sands OFTO Limited, TC Ormonde OFTO Limited, TC Lincs OFTO Limited, Blue Transmission Sheringham Shoal Limited, Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission London Array Limited, WoDS Transmission plc, Greater Gabbard OFTO plc, Thanet OFTO Limited, Gwynt y Môr OFTO plc granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending the Amended Standard Licence Conditions under section 11A(1)(a):

- E12-J1 (Restriction of Transmission Revenue: Definitions)
- E12-C3 (Restriction on use of certain information)

We stated that any representations to this modification proposal must be made on or before 15 February 2019.

5. Further, the Authority gave notice on 14 January 2019 ('Notice 1') that we propose to modify special conditions of National Grid Electricity Transmission Plc licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending Special Licence Conditions under section 11A(1)(a):

- 1A (Definitions and interpretation)

We stated that any representations to this modification proposal must be made on or before 15 February 2019

6. Further, the Authority gave notice on 14 January 2019 ('Notice 1') that we propose to modify the special conditions of Scottish Hydro Electric Transmission Plc licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending special conditions under section 11A(1)(a):

- 1A (Definitions and interpretation)
- 2B (Restriction on the use of certain information)
- 2I (Independence of and appointment of managing director of the Transmission Business)

We stated that any representations to this modification proposal must be made on or before 15 February 2019

7. Further, the Authority gave notice on 14 January 2019 ('Notice 1') that we propose to modify the special conditions of the SP Transmission Plc Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending special conditions under section 11A(1)(a):

- 1A (Definitions and interpretation)
- 2B (Restriction on the use of certain information)
- 2I (Independence of and appointment of managing director of the Transmission Business)

We stated that any representations to this modification proposal must be made on or before 15 February 2019

8. Further, the Authority gave notice on 4 July 2019 ('Notice 1A') that we propose to modify the standard conditions of the National Grid Electricity System Operator Limited (NGESO) Electricity Transmission Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending standard licence conditions under section 11A(1)(b):

- SLC A1 (Definitions and interpretation)
- SLC B3 (Disposal of relevant assets and restrictions on charges over receivables)
- SLC B20 (Regional Cooperation)
- SLC B21 (Notification of changes that may affect eligibility for certification)
- SLC C11 (Production of information about the national electricity transmission system)
- SLC C27 (The Network Options Assessment process and reporting requirements)

We stated that any representations to this modification proposal must be made on or before 2 August 2019.

9. Further, the Authority gave notice on 4 July 2019 ('Notice 1A') that we propose to modify the special conditions of the NGESO Electricity Transmission Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending special conditions under section 11A(1)(a):

- 1A (Definitions and interpretation)

10. A copy of the Notice 1, Notice 1A and Notice 2 were sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the changes should not be made.
11. We received 18 responses to Notice 1, 1 response to Notice 1A and 12 responses to Notice 2 which we carefully considered. We have placed all non-confidential responses on our website. Our response to the comments for Notice 1 are set out in Annex 9 of this publication, and our response to Notice 2 is set out in the accompanying cover letter. The response to Notice 1A supported our proposals.
12. The UK and EU agreed an implementation period between 31 January 2020 and 31 December 2020. It was therefore necessary to make a number of minor alterations to the modifications in Notice 1. These alterations were set out in Notice 2 and are shown in yellow highlight in annex 4.1.a. The alterations are set out below:
 - a. SLC1 – Definition of "the Electricity Directive": Proposed modifications referred to "Exit Day" which is no longer a relevant term. We have altered the definition to refer to the new relevant term "IP completion day"
 - b. SLC1 – Definition of "Exit Day": This definition is no longer relevant. We have replaced the definition with a definition for "IP completion day"
 - c. SLC B3.8 – Proposed modification referred to "Exit Day" which is no longer a relevant term. We have altered the definition to refer to the new relevant term "IP completion day"
13. It is also necessary to make make minor alterations to the modifications set out in Notice 2. These changes are also shown in yellow highlight in annex 4.1.a, These alterations are an extension of modifications to the licence that we consulted on in Notice 1 and are set out herein below:

- a. SLC B12.16 – the definition of Significant Code Review referred to “EU law”. This has been changed to “Retained EU Law”
 - b. SLC C3.14 - the definition of Significant Code Review referred to “EU law”. This has been changed to “Retained EU Law”
 - c. SLC C10.15 – the definition of Significant Code Review referred to “EU law”. This has been changed to “Retained EU Law”
 - d. SLC C19.4 - the definition of Significant Code Review referred to “EU law”. This has been changed to “Retained EU Law”
14. The following modifications were proposed in Notice 1 and are no longer required following legislative changes that amended licences as a result of the transposition of the Clean Energy Package²:
- a. SLC B20 – The proposed modifications are no longer required as this condition has been omitted
 - b. SLC E24 – The proposed modifications are no longer required as this condition has been omitted
15. We are making these licence changes in order to reflect the changes in the legislative framework that have been implemented after the transition period ended at 11pm on 31 December 2020.
16. The effect of the modifications will be to ensure that the references in the licence to EU law (e.g. Directives, Regulations and Commission decisions) shall be read as references to such EU law as it had effect immediately before IP completion day³ subject to any further amendments as may be contained in statutory instruments made under the European Union (Withdrawal) Act 2018. The modifications do not seek to change the current obligations and duties of licensees, nor do they seek to change the current policy position as reflected in the licence conditions.
17. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules⁴ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The accompanying letter provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of ‘relevant licence holder’.
18. Under the powers set out in section 11A(1)(a) and (b) of the Act, we hereby modify:
- (a) the standard licence conditions for all electricity transmission licences;
 - (b) the Amended Standard conditions of the following Electricity Offshore Transmission licensees:
 - i. TC Westernmost Rough OFTO Limited
 - ii. Humber Gateway OFTO Limited
 - iii. Diamond Transmission Partners BBE Limited
 - iv. TC Dudgeon OFTO plc granted
 - v. TC Robin Rigg OFTO Limited
 - vi. TC 2 Barrow OFTO Limited
 - vii. TC Gunfleet Sands OFTO Limited
 - viii. TC Ormonde OFTO Limited
 - ix. TC Lincs OFTO Limited

² Our open letter on these changes is available here: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-changes-licence-conditions-result-transposition-clean-energy-package>

³ As defined in section 39 of the [European Union \(Withdrawal Agreement\) Act 2020](#)

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

- x. Blue Transmission Sheringham Shoal Limited
- xi. Blue Transmission Walney 1 Limited
- xii. Blue Transmission Walney 2 Limited
- xiii. Blue Transmission London Array Limited
- xiv. WoDS Transmission plc, Greater Gabbard OFTO plc
- xv. Thanet OFTO Limited
- xvi. Gwynt y Môr OFTO plc

(c) the special conditions of National Grid Electricity Transmission Plc licence;

(d) the special conditions of Scottish Hydro Electric Transmission Plc licence;

(e) the special conditions of the SP Transmission Plc licence;

(f) the particular standard conditions of the National Grid Electricity System Operator Limited (NGESO) electricity transmission licence;

(g) and the special conditions of the NGESO electricity transmission licence

in the manner specified in the annexes below. In accordance with s11A(9), this decision will take effect from 8 April 2021, a date not less than 56 days after the publication of this decision.

19. This document is notice of the reasons for the decision to modify the standard and special conditions of electricity transmission licences, the special conditions of National Grid Electricity Transmission Plc, Scottish Hydro Electric Transmission Plc, and SP Transmission Plc, and the Amended Standard Conditions of all Electricity Offshore Transmission licences in accordance with 49A(2) of the Act.

Natasha Zoe Smith

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Head of European Wholesale Markets
Duly authorised on behalf of the
Gas and Electricity Markets Authority

11 February 2021

Annex 4.1.a. Electricity Transmission Standard Conditions Change marked Licence

We have included the sections of the SLCs we propose to remove or amend below. Deletions are shown in strike through and new text is double-underlined.

Condition A1: Definitions and interpretation

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

the “Agency”

means the ~~European Union~~ Agency for the Cooperation of Energy Regulators established established by Regulation ~~(EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators (recast);~~ (EC) No 713/2009 as it had effect immediately before IP completion day.

“the Electricity Directive”

means Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC as it has effect immediately before IP completion day as read with the modifications set out in the Act.

“the Electricity Regulation”

means Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

“IP completion day”

has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.

“legally binding decision of the European Commission and/or the Agency” and “legally binding decisions of the European Commission and/or the Agency”

means any relevant legally binding decision or decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so much of a decision as is not, Retained EU Law.

“Retained EU Law”

has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.

Condition B3: Disposal of relevant assets and restrictions on charges over receivables

1. The licensee must not dispose of or relinquish operational control over any relevant asset except in accordance with the provisions of this condition.
2. Subject to paragraph 3, the licensee must not, after 1 April 2013, grant any mortgage, charge, or other form of security over any receivable except in accordance with the provisions of this condition.
3. The licensee may permit any mortgage, charge, or other form of security over any receivable in effect at the date mentioned in paragraph 2 to remain in effect and may vary its terms so long as the variation does not have the effect of materially extending the scope of the mortgage, charge, or other form of security insofar as it applies to the licensee’s receivables.
4. Save as provided in paragraphs 3, 5 or, as applicable, 6, or 8 the licensee shall give to the Authority not less than two months' prior written notice of:
 - (a) its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset; or

(b) its intention to grant any mortgage, charge, or other form of security over any receivable or class or classes of receivables together with such further information as the Authority may request relating to such receivable, class or classes of receivables or the circumstances of the intended grant of the mortgage, charge or other form of security.

5. Notwithstanding paragraphs 1 and 4(a), the licensee may dispose of or relinquish operational control over any relevant asset where:-

(a) the Authority has issued directions for the purposes of this condition containing a general consent (whether or not subject to conditions) to:

(i) transactions of a specified description; or

(ii) the disposal of or relinquishment of operational control over relevant assets of a specified description; and

the transaction or the relevant assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject;

or

(b) the disposal or relinquishment of operational control in question is to another transmission licensee and is required by or under standard condition B12 (System Operator – Transmission Owner Code).

6. Notwithstanding paragraphs 2 and 4(b), the licensee may grant a mortgage, charge, or other form of security over a receivable or class or classes of receivables where:

(a) the indebtedness of the licensee which is to be secured represents the novation or rollover of existing indebtedness; and

(b) the proceeds of the indebtedness of the licensee which is to be secured are used to repay the existing indebtedness referred to in sub-paragraph (a).

7. For the purposes of paragraph 6, what is meant in any particular case by:

(a) “existing indebtedness”; and

(b) “proceeds of the indebtedness”

is to be treated as a question of fact.

8. Notwithstanding paragraphs 1, 2 and 4, the licensee may dispose of or relinquish operational control over any relevant asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation ~~or directive~~ of the Council or Commission of the European Union that has effect in EU law immediately before IP completion day.
9. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any relevant asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable as is specified in any notice given under paragraph 4 where:
- (a) the Authority confirms in writing that it consents to such disposal or relinquishment or grant (which consent may be made subject to acceptance by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify); or
 - (b) the Authority does not inform the licensee in writing of any objection to such disposal, relinquishment or grant within the notice period referred to in paragraph 4.
10. In this condition:
- | | |
|------------|---|
| "disposal" | includes |
| | <ul style="list-style-type: none">(a) in relation to disposal of a relevant asset situated in England and Wales any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition;(b) in relation to disposal of a relevant asset situated in Scotland, the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land; |

and "dispose" and cognate expressions shall be construed accordingly.

“receivable” means a contractual right to receive any sum or sums or any other financial asset from another person.

"relevant asset" means any asset for the time being forming part of the national electricity transmission system, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property).

"relinquishment of operational control" includes, without limitation, entering into any agreement or arrangement whereby operational control of a relevant asset or relevant assets is not or ceases to be under the sole management of the licensee.

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) is designed to facilitate achievement of the objectives set out in paragraph 3;

- (c) includes the modification procedures required by paragraph 6-6H;
- (d) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC; and
- (e) 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(b) 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;
- (vA) 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

(e)

- (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 sub-paragraph (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.

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 sub-paragraph (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.

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

"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 the STC;
- (ii) correcting minor typographical errors;
- (iii) correcting formatting and consistency errors, such as paragraph numbering; or
- (iv) updating out of date references to other documents or paragraphs.

"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.

"directions"

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

- a) 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 Retained EU Law ~~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

- (a) commencing either:

- (i) on the start date of a significant code review as stated by the Authority; or,
- (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.

Condition B21: Notification of changes that may affect eligibility for certification

1. Where the licensee has made or makes an application for certification under section 10B of the Act, if at any time prior to the Authority notifying the licensee of its ~~final~~ certification decision under section ~~10D(7)~~10D(4) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
2. Where the licensee has been certified, if at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.

3. If at any time ~~from 3 March 2013~~ the licensee knows or reasonably should know that, on or after IP completion day, any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a ~~third~~ country outside the United Kingdom, or that a person from a ~~third~~ country outside the United Kingdom has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.
4. If at any time from the relevant date the licensee exercises or is likely to exercise any shareholder right or right of appointment in the circumstances described in section 10M of the Act, the licensee shall as soon as is reasonably practicable notify the Authority in writing of the right that has been or is likely to be exercised and the effect of exercising that right.
5. Where the licensee has been certified, by 31 July of each year following certification the licensee shall provide the Authority with a written declaration, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, setting out:
 - (a) whether any event or circumstance has occurred in the previous 12 month period since the licensee was certified, that may affect the licensee's eligibility for certification, and if so, the reasons it considers that the event or circumstance may affect its eligibility for certification;
 - (b) whether, on or after IP completion day, any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a person from a ~~third~~ country outside the United Kingdom, or that a person from a ~~third~~ country outside the United Kingdom has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified, ~~providing that the licensee is only required to provide a written declaration under this paragraph (b) in relation to a period that occurs after 3 March 2013~~; and
 - (c) whether the licensee has exercised any shareholder right or right of appointment in the circumstances described in section 10M of the Act in the previous 12 month period or such of that part of that 12 month period since the licensee was certified and if so the effect of exercising that right, providing that the licensee is only required to provide a written declaration under this paragraph (c) where it has been certified on the certification ground in section 10E(3) of the Act and in relation to a period that occurs after the relevant date.
6. In this condition:

“certified” has the same meaning as in section 10O of the Act;

“control” has the same meaning as in section 10O of the Act;

“person from a ~~third~~ country outside the United Kingdom” has the same meaning as in section 10O of the Act;

“relevant date” has the same meaning as in section 10M of the Act;

“shareholder right” has the same meaning as in section 10O of the Act.

Condition C3: Balancing and Settlement Code (BSC)

1. The licensee shall at all times have in force a BSC, being a document
 - (a) setting out the terms of the balancing and settlement arrangements described in paragraph 2;
 - (b) designed so that the balancing and settlement arrangements facilitate achievement of the objectives set out in paragraph 3;
 - (c) including the modification procedures required by paragraphs 4 to 4G, 13A to 13D;
 - (d) including the matters required by paragraph 6;
 - (e) establishing a secretarial or administrative person or body, as specified in the BSC, (the "code administrator") and setting out the code administrator's powers, duties and functions, which shall;
 - (i) include a requirement that, in conjunction with other code administrators, the code administrator will maintain, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
 - (ii) include facilitating the matters required by paragraphs 4 and 6;
 - (iii) have regard to and, in particular to the extent that they are relevant, be consistent with the principles contained in, the Code of Practice;
 - (f) establishing a panel body, as specified in the BSC, (the “panel”) whose functions shall include the matters required by this condition, and whose composition shall include;
 - (i) an independent chairperson approved by the Authority; and

- (ii) a consumer representative (appointed by Citizens Advice or Citizens Advice Scotland, or any successor body) who has a vote as specified in the BSC,

and the licensee shall be taken to comply with this paragraph by modifying from time to time in accordance with the provisions of paragraphs 4 and 5 and the transition modification provisions, the document known as the BSC which existed and the licensee maintained pursuant to this licence immediately prior to the start of the transition period.

1A. The BSC may also include provisions about

- (a) arrangements for the operation of any reconciliation mechanism established by the Secretary of State under section 11 of the Energy Act 2010 in connection with a scheme for reducing fuel poverty, where the operator of the reconciliation mechanism is the BSCCo (as referred to in paragraph 1B) or an affiliate of the BSCCo; and
- (b) arrangements that facilitate the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation.

1B. The licensee shall establish a Balancing and Settlement Code Company (BSCCo) to provide and procure facilities, resources and services required for the proper, effective and efficient implementation of the BSC.

1C. The BSC shall not include provisions that prevent or restrict the BSCCo or any affiliate of the BSCCo from:

- (a) operating the reconciliation mechanism referred to in paragraph 1A(a); or
- (b) undertaking the calculation, collection, administration and settlement of amounts payable or arising in respect of contracts for difference and capacity agreements entered into pursuant to EMR legislation.

1D. The BSC may include provisions allowing the BSCCo or any affiliate of the BSCCo to undertake activities other than those referred to in paragraphs 1, 1A and 1B above, subject to Authority consent.

1E. As from 1 April 2018, the balancing and settlement arrangements in the BSC shall comply with the Transmission Losses Principle.

- 1F. As from 1 April 2018, the licensee shall ensure that the imbalances referred to in paragraph 2(b)(ii) below are calculated in compliance with Article 4 of The Energy Market Investigation (Electricity Transmission Losses) Order 2016.
- 1G. The licensee shall use its best endeavours to ensure that the BSC is modified in accordance with the EMI Modification Proposal and implemented no later than 1 April 2018.
- 1H. Notwithstanding paragraph 1G the BSC, including any provisions introduced in accordance with the EMI Modification Proposal, may thereafter be modified from time to time in accordance with the provisions of paragraphs 4 and 5 so as to further the objectives in paragraph 3.
- 1I. Paragraph 1F will cease to have effect once the EMI Modification Proposal has been implemented.

2. The balancing and settlement arrangements are

- (a) arrangements pursuant to which BSC parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the total system at any time or during any period so as to assist the licensee in co-ordinating and directing the flow of electricity onto and over the national electricity transmission system and balancing the national electricity transmission system; and for the settlement of financial obligations (between BSC parties, or between BSC parties and the licensee) arising from the acceptance of such offers or bids; and
- (b) arrangements:
- (i) for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the total system, and
- (ii) which set, and provide for the determination and financial settlement of, obligations between BSC parties, or (in relation to the system operator's role in co-ordinating and directing the flow of electricity onto and over the national electricity transmission system) between BSC parties and the licensee, arising by reference to the quantities referred to in sub-paragraph (i), including the imbalances (after taking account of the arrangements referred to in sub-paragraph (a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC parties.

3. The objectives referred to in paragraph 1(b) are:

- (a) the efficient discharge by the licensee of obligations imposed upon it by this licence;
- (b) the efficient, economic and co-ordinated operation of the national electricity transmission system;
- (c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- (d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements described in paragraph 2;
- (e) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency;
- (f) implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation; and
- (g) compliance with the Transmission Losses Principle.

4. The BSC shall include procedures for its own modification (including procedures for the modification of the modification procedures themselves), which procedures shall provide:

- (a) subject to paragraphs 4A and 4B, for proposals for modification of the BSC to be made by the licensee, BSC parties, the Authority (in relation only to modifications within the scope of paragraph 4H), and such other persons or bodies as the BSC may provide;
- (aa) for proposals for modification of the BSC to be made by the licensee in accordance with a direction issued by the Authority pursuant to paragraphs 4(ae), 4C (the “significant code review route”) and 10(b);
- (ab) for the implementation of modification proposals without the Authority’s approval in accordance with paragraphs 13A (the “self-governance route”) and 13C;
- (ac) for the provision by the code administrator of assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, small participants and consumer representatives) that request the code administrator's assistance in relation to the BSC including, but not limited to, assistance with:
 - (i) drafting a modification proposal;
 - (ii) understanding the operation of the BSC;

- (iii) their involvement in, and representation during, the modification procedure processes (including but not limited to panel and/or workgroup meetings) as required by this condition, specified in the BSC, or described in the Code of Practice; and
 - (iv) accessing information relating to modification proposals and/or modifications;
- (ad) for modification proposals made by the Authority or the licensee in accordance with paragraphs 4(a), 4(aa) and 4(ae)(i) respectively which fall within the scope of paragraph 4H:
 - (i) to be accepted into the BSC 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 4(ae);
- (ae) for compliance by the licensee and (where applicable) the panel with any directions(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to a modification proposal which falls within the scope of paragraph 4H) for the:
 - (i) licensee to raise a modification proposal; and/or
 - (ii) completion of each of the proposal steps outlined in paragraph 4 or 4F, to the extent that they are relevant; and/or
 - (iii) implementation of a modification.
- (af) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 13D (the "fast track self-governance route");
- (b) except in the case of a modification falling within the scope of paragraph 4E or 13D, where a proposal is made in accordance with paragraphs 4(a), 4(aa) and, unless otherwise directed by the Authority, 4(ab),
 - (i) for bringing the proposal to the attention of BSC parties and such other persons as may have an appropriate interest in it (including consumer representatives);
 - (ii) for proper consideration of any representations on the proposal including representations made by small participants and/or consumer representatives;

- (iiA) for properly evaluating the suitability of the significant code review or self-governance route for a particular modification proposal
- (iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable BSC objective(s), provided that so far as any such evaluation requires information which is not generally available concerning the licensee or the national electricity transmission system, such evaluation shall be made on the basis of the licensee'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 paragraphs 3(a) and (b);
- (iv) for the development and consideration of any alternative modifications which may, as compared with the proposed modification, better facilitate achieving the applicable BSC objective(s), provided that:
- the alternative proposals are made as described in the Code of Practice and as further specified in the BSC; and
 - unless an extension of time has been approved by the panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period (as specified in the BSC) from the date on which the original modification was proposed,
- (ivA) for the evaluation required under paragraph 4(b)(iii) (and, if applicable paragraph 4(b)(iv)) in respect of the applicable BSC 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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time,
- (v) for the preparation of a panel report:
- setting out the proposed modification and, separately, any alternatives,
 - evaluating the proposed modification and, separately, any alternatives,
 - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable BSC objective(s) and providing a detailed explanation of the panel's reasons for that assessment (such assessment

to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions in accordance with 4(b)(ivA)),

- assessing the impact of the modification and any alternative on the core industry documents and the changes expected to be required to such documents as a consequence of such modification,
 - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification and any alternative (if made) would take effect; and
- (vi) 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, and in accordance with the time periods specified in the BSC, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in sub-paragraphs (i) to (v);
- (vii) for the revision and re-submission of the panel report provided under sub-paragraphs (v) and (vi), such re-submission to be made, if required by a direction issued by the Authority under paragraph 5(aa), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification),
- (c) for the timetable (referred to in sub-paragraph (b)(v)) for implementation of any modification to be either:
- (i) in accordance with any direction(s) issued by the Authority under paragraph 4(ae)(iii); or
 - (ii) where no direction has been issued by the Authority under paragraph 4(ae)(iii)

such as will enable the modification to take effect as soon as practicable after the Authority has directed or, in the case of a proposal falling under paragraphs 4(ab) and 13A, the panel has determined 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;

- (d) for empowering the licensee to secure, if so directed by the Authority in circumstances specified in the BSC,
 - (i) that the modification procedures are complied with in respect of any particular modification in accordance with the terms of the direction;
 - (ii) that, where a modification has been made but not implemented in accordance with its terms, all reasonable steps are taken to implement it in accordance with the terms of the direction;
 - (iii) that the licensee can recover its reasonable costs and expenses properly incurred in complying with the direction, and
- (e) for each of the procedural steps outlined in this paragraph 4, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice.
- (f) for the completion of each of the procedural steps outlined in this paragraph 4, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 4(ae).

4A. Without prejudice to paragraph 4E, the procedures for the modification of the BSC shall provide that proposals for modification of the BSC falling within the scope of a significant code review may not be made by the parties listed in paragraph 4(a) during the significant code review phase, except where:

- (a) 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) the modification proposal is made by the licensee in accordance with paragraphs 4(aa) and 4C or 4(ae)(i); or
- (c) the modification proposal is made by the Authority in accordance with paragraph 4(a).

4B. The procedures for the modification of the BSC shall provide that where a modification proposal is made during the significant code review phase, unless otherwise exempted by the Authority, the panel shall:

- (a) comply with the steps in paragraph 4(b) subject to sub-paragraph (c) of this paragraph; and
- (b) as soon as practicable notify the Authority of:

- (i) any representations received in relation to the suitability of the significant code review route; and
- (ii) the panel's assessment of whether the proposal falls within the scope of a significant code review and the applicability of the exceptions under paragraph 4A(a) or (b), and its reasons for that assessment; and
- (c) not proceed with the modification proposal at the Authority's direction.

4C. The procedures for the modification of the BSC 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 sub-paragraph (a) will be issued in relation to the BSC, the licensee shall treat the significant code review phase as ended;
- (ba) the Authority makes a modification proposal in accordance with paragraph 4(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 4D;
- (c) neither directions under sub-paragraph (a), nor a statement under sub-paragraphs (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 shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 4(b)(v).

4D. The procedures for modification of the BSC shall provide that, if the Authority issues a statement under paragraph 4C(bb) and/or a direction in accordance with paragraph 4G, 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 paragraphs 4C(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 BSC following the panel's submission of its report under paragraph 4F(b).

4E. The procedures for the modification of the BSC shall provide that, where the Authority has issued a statement in accordance with paragraph 4C(bb) and/or a direction in accordance with paragraph 4G, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 4H(b) to the panel.

4F. The procedures for the modification of the BSC shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 4E:

(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 BSC objective(s) 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 such guidance on the treatment of carbon costs and evaluation of the greenhouse gas emissions as may be issued by the Authority from time to time); and

(iii) 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, and in accordance with the time periods specified in the BSC, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in sub-paragraph (a);

(c) for the revision and re-submission of the panel report provided under paragraphs (a) and (b), such re-submission to be made, if required by a direction issued by the Authority under

paragraph 5(aa), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification);

(d) for the timetable (referred to in sub-paragraph (a)(iii)) for implementation of any modification to be either:

(i) in accordance with any direction(s) issued by the Authority under paragraph 4(ae)(iii);
or

(ii) where no direction has been issued by the Authority under paragraph 4(ae)(iii), 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; and

(e) for the completion of each of the procedural steps outlined in this paragraph 4F, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 4(ae).

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 4F(a).

4G. The procedures for the modification of the BSC shall provide that, where a proposal has been made in accordance with paragraph 4C(a) or 4(ae)(i), or by the Authority under paragraph 4C(ba) and it falls within the scope of paragraph 4H(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.

4H. Modification proposals fall within the scope of this paragraph where:

(a) 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

(b) the modification proposal is in respect of a significant code review.

5.

- (a) Without prejudice to paragraph 13A, if a report has been submitted to the Authority pursuant to the procedures described in paragraph 4(b)(vi) or 4F(b), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the BSC and any other modifications set out in such report, better facilitate achieving the applicable BSC objective(s), the Authority may direct the licensee to make that modification
- (aa) If a report has been submitted to the Authority pursuant to the procedures described in paragraph 4(b)(vi) or 4F(b) and if the Authority determines that the report prepared in accordance with paragraph 4(b)(v) or 4F(a) is such that the Authority cannot properly form an opinion in accordance with paragraph 5(a), the Authority may issue a direction to the panel:
 - (i) specifying the additional steps (including drafting or amending existing drafting of the modification to the BSC), revision (including revision to the timetable), analysis and/or information that it requires in order to form such an opinion; and
 - (ii) requiring the report to be revised and be re-submitted in accordance with paragraph 4(b)(vii) or 4F(c).
- (b) The licensee shall, upon receipt of a direction from the Secretary of State to do so, modify the BSC 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.
- (d) [Not used]
- (e) [Not used]
- (f) Without prejudice to paragraph 4A or 4E, only the licensee shall have power to modify the BSC.

6. The BSC shall provide for:

- (b) a copy of the BSC 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) the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC, such matters arising under the BSC as may be specified in the BSC;
- (d) information about the operation of the BSC and the balancing and settlement arrangements

(i) to be provided to the Authority and/or

(ii) to be published,

and for the licensee to be empowered to secure compliance with these requirements if so directed by the Authority.

7. [Not used]

(a) [Not used]

(b) [Not used]

8. The provisions of paragraphs 6 and 11 shall not limit the matters which may be provided for in the BSC.

9. The Authority may direct the licensee to procure the provision to the Authority of, or the publication of, such information about the operation of the BSC and/or the balancing and settlement arrangements as is referred to in paragraph 6(c) and specified in the direction.

10. The licensee shall comply with:

(a) the BSC; and

(b) any direction to the licensee made pursuant to this condition.

11.

(a) The licensee shall be a party to the BSC Framework Agreement.

(b) The BSC and/or the BSC Framework Agreement shall contain provisions:

(i) for admitting as an additional party to the BSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the BSC) on which accession to the BSC Framework Agreement is offered;

(ii) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC any dispute which shall arise as to whether a person seeking to be admitted as a party to the BSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the BSC Framework Agreement;

(i) for persons to be admitted as additional parties to the BSC Framework Agreement by either

- a representative (who need not be a BSC party) appointed thereunder to act on behalf of all parties to it, or
- if there is no such representative or if the representative fails to act, the licensee acting on behalf of all parties to it.

(e) If, following a determination of the Authority as referred to in sub-paragraph (b)(ii), the representative referred to in sub-paragraph (b)(iii) fails to act on behalf of all parties to admit such person, the licensee shall act on behalf of all parties to admit such person if directed to do so by the Authority.

12. The licensee shall take all reasonable measures to secure and implement (consistently with the procedures applicable under or in relation to the core industry documents and/or industry codes to which it is party (or in relation to which it holds rights in respect of amendment)), and shall not take any steps to prevent or unduly delay, changes to those documents, 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 BSC, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the BSC and any core industry document or industry code.

13. For the avoidance of doubt, paragraph 12 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 12 which the Authority may have.

13A. The procedures for the modification of the BSC shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 13A 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 13A(d); and
- (c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 13A(d); and
- (d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 13A(b), determined, in accordance with paragraphs 4(b)(i) to (v) of this condition as applicable, 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 BSC and any other modifications proposed in accordance with paragraph 4(b)(iv), better facilitate the achievement of the applicable BSC objective(s); and
- (e)
 - (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 13A(d) in respect of such modification proposal and any alternative in accordance with paragraph 13B; or
 - (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 13B and the Authority has not quashed the panel's determination referred to at paragraph 13A(d) of this condition 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.

13AA. In no circumstances can the self-governance procedure set out in paragraph 13A be used to amend the BSC to expand the range of activities that can be undertaken by the BSCCo as contemplated by paragraph 1D above.

13B. The procedures for the modification of the BSC shall provide that those persons set out at paragraph 4(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, 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 BSC and, in the opinion of the Authority:

- (a)

(i) the appealing party is, or 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 BSC 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 BSC objectives; and

(b) it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

13C. The procedures for the modification of the BSC shall provide that:

(c) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 13B that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal;

(d) if the Authority quashes the panel's determination referred to at paragraph 13A(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 13B, the panel's determination of that modification proposal and any alternative referred to in paragraph 13A(d) of this condition shall be treated as a report submitted to the Authority in accordance with the procedures specified in paragraph 4(b)(vi) of this condition and paragraph 5(a) of this condition and the panel's determination shall be treated as its recommendation.

13D. The procedures for the modification of the BSC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 13D (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) BSC parties, the licensee 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.

13E. 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 and create or modify industry documents including but not limited to the BSC, core industry documents and industry codes where necessary no later than 31 March 2017.

14. In this condition in the expression "sale and purchase of electricity", sale excludes sale by way of assumption of an imbalance under the BSC and sale by way of supply to premises, and purchase shall be construed accordingly; and

"applicable BSC objective(s)" means the objectives set out in paragraph 3.

"affiliate of the BSCCo" means any holding company or subsidiary of the BSCCo or any subsidiary of a holding company of the BSCCo, in each case within the meaning of section 1159(1) of the Companies Act 2006.
means the Code Administration Code of Practice

"Code of Practice" approved by the Authority and:

- (e) developed and maintained by the code administrators in existence from time to time; and
- (f) amended subject to the Authority's approval from time to time; and
- (g) re-published from time to time.

<p>“directions”</p>	<p>(h)</p> <p>means, in the context paragraph 4C, direction(s) issued following publication of significant code review conclusions which shall contain:</p>
	<ul style="list-style-type: none"> (i) instructions to the licensee to make (and not withdraw, without the Authority’s prior consent) a modification proposal; (ii) the timetable for the licensee to comply with the Authority’s direction(s); and (iii) the Authority’s reasons for its direction(s).
<p>“EMI Modification Proposal”</p>	<p>means a modification proposal reflecting the terms set out in Schedule 1 and Schedule 2 to The Energy Market Investigation (Electricity Transmission Losses) Order 2016;</p>
<p>“fast track self-governance criteria”</p>	<p>means that a proposal, if implemented,</p> <ul style="list-style-type: none"> (b) would meet the self-governance criteria; and (c) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to: <ul style="list-style-type: none"> (i) updating names or addresses listed in the BSC; (ii) correcting minor typographical errors; (iii) correcting formatting and consistency errors, such as paragraph numbering; or (iv) updating out of date references to other documents or paragraphs.
<p>“industry code”</p>	<p>means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Act or under sections 7, 7ZA or 7A of the Gas Act 1986.</p>
<p>“self-governance criteria”</p>	<p>means, a proposal that, if implemented:</p> <ul style="list-style-type: none"> (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 BSC's governance procedures or modification procedures, and
- (b) is unlikely to discriminate between different classes of BSC parties.

“self-governance statement”

means a statement made by the panel and submitted to the Authority in accordance with paragraph 13A(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) providing a detailed explanation of 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 BSC (either on its own or in conjunction with 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 Act), statutory functions and/or relevant obligations arising under Retained EU Law EU law; and

concerning which the Authority has issued a notice to the BSC 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

(a) commencing either:

- (i) on the start date of a significant code review as stated by the Authority, or
- (ii) on the date the Authority makes a direction under paragraph 4G (a “backstop direction”), and

(b) ending either:

- (i) on the date on which the Authority issues a statement under paragraph 4C(b) (that no directions will be issued in relation to the BSC); or
- (ii) if no statement is made under paragraph 4C(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with paragraphs 4(aa), 4C(a) and 10(b), or the Authority makes a modification proposal under paragraph 4C(ba); or
- (iii) immediately under paragraph 4C(c), if neither a statement, a modification proposal or directions are made by the Authority up to 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 paragraph 4C(bb) or a direction has been made under paragraph 4G (a “backstop direction”), on the date specified in accordance with paragraph 4D.

“small participant”	<p>means</p> <ul style="list-style-type: none"> (a) a generator, supplier, distributor, or new entrant to the electricity market in Great Britain that can demonstrate to the code administrator that it is resource-constrained and, therefore, in particular need of assistance; (b) any other participant or class of participant that the code administrator considers to be in particular need of assistance; and (c) a participant or class of participant that the Authority has notified the code administrator as being in particular need of assistance.
"transition modification provisions"	<p>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 BSC in certain circumstances.</p>
“Transmission Losses”	<p>means the units of electricity unaccounted for on the national electricity transmission system as allocated in accordance with the BSC and The Energy Market Investigation (Electricity Transmission Losses) Order 2016;</p>
“Transmission Losses Principle”	<p>means the principle that the licensee shall ensure at all times that the costs of Transmission Losses are recovered from users of the national electricity transmission system in a manner which is sensitive to the relative impact on Transmission Losses of changes to each user’s power flow as a result of their location on the national electricity transmission system;</p>
"transition modification provisions"	<p>means the provisions of this condition which apply or applied during the transition period and which enable</p>

or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the BSC in certain circumstances.

Condition C10: Connection and Use of System Code (CUSC)

1. The licensee shall establish arrangements for connection and use of system in respect of matters which, other than those to which standard conditions C14 (Grid Code) and C5 (Use of system charging methodology) to C9 (Functions of the Authority) relate are calculated to facilitate the achievement of the following objectives:
 - (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence;
 - (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
 - (c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and
 - (d) promoting efficiency in the implementation and administration of the CUSC arrangements,and the licensee shall be taken to comply with this paragraph by modifying from time to time in accordance with the provisions of paragraphs 6 and 7 and the transition modification provisions, the document setting out the arrangements for connection and use of system which existed and which the licensee maintained pursuant to this licence immediately prior to the start of the transition period.
2. The licensee shall prepare a connection and use of system code ("CUSC") setting out:
 - (a) the terms of the arrangements made in pursuance of paragraph 1;
 - (b) the procedures established in pursuance of paragraphs 6 to 6G, and 13A to 13D;
 - (c) such other terms as are or may be appropriate for the purposes of the CUSC; and
 - (d) the charging methodologies,

and establishing:

- (e) a secretarial or administrative person or body, as specified in the CUSC, (the "code administrator") and setting out the code administrator's powers, duties and functions, which shall:
 - (i) include a requirement that, in conjunction with other code administrators, the code administrator will maintain, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
 - (ii) include facilitating the matters required by paragraph 6; and
 - (iii) have regard to and, in particular to the extent that they are relevant, be consistent with the principles contained in, the Code of Practice;
 - (f) a panel body, as specified in the CUSC (the "panel"), whose functions shall include matters required by this condition, and whose composition shall include:
 - (i) an independent chairperson approved by the Authority; and
 - (ii) a consumer representative (appointed by Citizens Advice or Citizens Advice Scotland, or any successor body) who has a vote as specified in the CUSC.
3. The licensee shall only enter into arrangements for connection and use of system which are in conformity with any relevant provisions of the CUSC.
4. The CUSC shall provide for:
- (a) the licensee and each CUSC user to be contractually bound insofar as is applicable by the terms of the Grid Code from time to time in force;
 - (b)
 - (i) the licensee and each CUSC user, where appropriate, to enter into an agreement or agreements, supplemental to and in a form prescribed by the CUSC, setting out site specific details in respect of each site at which the CUSC user's electrical lines or electrical plant is connected to the national electricity transmission system;
 - (ii) each CUSC user, where appropriate, to enter into an agreement or agreements with a transmission licensee (other than the licensee) supplemental to and in a form prescribed by the CUSC setting out site specific details in respect of each site at

which the CUSC user's electrical lines or electrical plant is connected to the national electricity transmission system;

(c) there to be referred to the Authority for determination such matters arising under the CUSC as may be specified in the CUSC; and

(d) a copy of the CUSC 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.

5. The provisions of paragraphs 4 and 10 shall not limit the matters which may be provided for in the CUSC.

6. The licensee shall establish and operate procedures for the modification of the CUSC (including procedures for modification of the modification procedures themselves), so as to better facilitate achievement of the applicable CUSC objectives, which procedures shall provide (without prejudice to the transition modification provisions and the procedures for modification provided for at paragraph 7 below):

(a) subject to paragraphs 6A and 6B, for proposals for modification of:

(i) the CUSC (other than in respect of proposals for modification of the charging methodologies) to be made by the licensee, CUSC users the Authority (in relation only to modifications within the scope of paragraph 6H), and such other persons and bodies as the CUSC may provide; and

(ii) the charging methodologies to be made by the licensee and/or CUSC users, the Authority (in relation only to modifications within the scope of paragraph 6H), Citizens Advice, Citizens Advice Scotland, BSC parties and/or a materially affected party and in accordance with the provisions of the CUSC unless otherwise permitted by the Authority;

(aa) for proposals for modification of the CUSC to be made by the licensee in accordance with a direction issued by the Authority pursuant to paragraphs 6(af), 6C (the "significant code review route") and 14;

(ab) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 13A (the "self-governance route") and 13C;

(ac) for the provision by the code administrator of assistance insofar as is reasonably practicable and on reasonable request to parties, (including, in particular, small

participants and consumer representatives) that request the code administrator's assistance in relation to the CUSC including, but not limited to, assistance with:

- (i) drafting a modification proposal;
 - (ii) understanding the operation of the CUSC;
 - (iii) their involvement in, and representation during, the modification procedure processes (including but not limited to panel, and/or workgroup meetings) as required by this condition, specified in the CUSC, or described in the Code of Practice; and
 - (iv) accessing information relating to modification proposals and/or modifications;
- (ad) for:
- (i) the regular convening of the charging methodology forum for the purposes of discussing further development of the charging methodologies;
 - (ii) for the provision of information by the licensee in accordance with paragraphs 9 and 10 of standard condition C4 (Charges for use of system) and paragraphs 13 and 14 of standard condition C6 (Connection charging methodology); and
 - (iii) insofar as reasonably practicable, the provision by the licensee of such other information or assistance as a materially affected party may reasonably request for the purposes of preparing a proposal to modify a charging methodology;
- (ae) for modification proposals made by the Authority or the licensee in accordance with paragraphs 6(a), 6(aa) and 6(af)(i) respectively which fall within the scope of paragraph 6H:
- (i) to be accepted into the CUSC 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(af);
- (af) 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 to a modification proposal which falls within the scope of paragraph 6H) for the:

- (i) licensee to raise a modification proposal; and/or
 - (ii) completion of each of the procedural steps outlined in paragraph 6 or 6F, to the extent that they are relevant; and/or
 - (iii) implementation of a modification.
- (ag) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 13 D (the "fast track self-governance route");
- (b) except in the case of a modification failing within the scope of paragraph 6E or 13D, where a proposal is made in accordance with paragraphs 6(a), 6(aa) and, unless otherwise directed by the Authority, 6(ab),
- (i) for bringing the proposal to the attention of CUSC parties and such other persons as may properly be considered to have an appropriate interest in it (including consumer representatives);
 - (ii) for proper consideration of any representations on the proposal (including representations made by small participants and consumer representatives);
 - (iiA) for properly evaluating the suitability of the significant code review or self-governance route for a particular modification proposal;
 - (iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable CUSC objectives, provided that so far as any such evaluation requires information which is not generally available concerning the licensee or the national electricity transmission system, such evaluation shall be made on the basis of the licensee'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 1(a) and (b);
 - (iv) for the development and consideration of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable CUSC objective(s) provided that:
 - the alternative proposal is made as described in the Code of Practice and as further specified in the CUSC; and

- unless an extension of time has been approved by the panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period (as specified in the CUSC) from the date on which the original modification was proposed,
- (ivA) in relation to proposals for the modification of charging methodologies, for compliance (as applicable) with:
- paragraph 5 of standard condition C4 (Charges for use of system); and
 - paragraphs 4 and 10(b) of standard condition C6 (Connection charging methodology).
- (ivB) for the evaluation required under paragraph 6(b)(iii) (and, if applicable, paragraph 6(b)(iv)) in respect of the applicable CUSC objective(s) to include, where that 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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time;
- (v) for the preparation of a panel report:
- setting out the proposed modification and, separately, any alternatives;
 - evaluating the proposed modification and, separately, any alternatives;
 - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable CUSC objectives and providing a detailed explanation of the panel’s reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions in accordance with paragraph 6(b)(ivB));
 - assessing the impact of the modification and any alternative on the core industry documents and the changes expected to be required to such documents as a consequence of such modification;
 - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification and any alternative (if made) would take effect; and

- (vi) subject to paragraph 6(b)(ivA), 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 and in accordance with the time periods specified in the CUSC, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in sub-paragraphs (i) to (v); and
 - (vii) subject to paragraph 6(b)(ivA), for the revision and re-submission of the panel report provided under sub-paragraphs (v) and (vi), such re-submission to be made, if required by a direction issued by the Authority under paragraph 7(aa), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification);
- (c) subject to paragraph 6(b)(ivA) and without prejudice to paragraph 3 of standard condition C4 (Charges for use of system), for the timetable (referred to in sub-paragraph (b)(v)) for implementation of any modification to be either:
- (i) in accordance with any direction(s) issued by the Authority under paragraph 6(af)(iii); or
 - (ii) where no direction is issued by the Authority under paragraph 6(af)(iii),
- such as will enable the modification to take effect as soon as practicable after the Authority has directed or, in the case of a proposal falling under paragraphs 6(ab) and 13A, the panel, has determined 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 with the consent of or as required by the Authority;
- (d) for each of the procedural steps outlined in this paragraph 6, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice; and
 - (e) 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 4(af).

6A. Without prejudice to paragraph 6E, the procedures for the modification of the CUSC shall provide that proposals for modification of the CUSC falling within the scope of a significant code

review may not be made by the parties listed in paragraph 6(a) during the significant code review phase, except where:

- (a) 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) the modification proposal is made by the licensee in accordance with paragraphs 6(aa) and 6C or 6(af)(i); or
- (c) the modification proposal is made by the Authority in accordance with paragraph 6(a).

6B. The procedures for the modification of the CUSC shall provide that where a modification proposal is made during the significant code review phase, unless otherwise exempted by the Authority, the panel shall:

- (a) comply with the steps in paragraph 6(b) subject to sub-paragraph (c) of this paragraph; and
- (b) as soon as practicable notify the Authority of:
 - (i) any representations received in relation to the suitability of the significant code review route; and
 - (ii) the panel's assessment of whether the proposal falls within the scope of a significant code review and the applicability of the exceptions under paragraph 6A(a) or (b), and its reasons for that assessment; and
- (c) not proceed with the modification proposal at the Authority's direction.

6C. The procedures for the modification of the CUSC 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 sub-paragraph (a) will be issued in relation to the CUSC, 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 6D;
- (c) neither directions under sub-paragraph (a), nor a statement under sub-paragraphs (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 shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6(b)(v).

6D. The procedures for the modification of the CUSC shall provide that, if the Authority issues a statement under paragraph 6C(bb) and/or a direction in accordance with paragraph 6G, 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 6C(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 CUSC following the panel's submission of its report under paragraph 6F(b).

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

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

- (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 CUSC objective(s) and providing a detailed explanation of the panel's reasons for that assessment (such assessment to include, where that

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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time); and

- (iii) 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, and in accordance with the time periods specified in the CUSC, which shall not be extended unless approved by the panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in sub-paragraph (a);
- (c) for the revision and re-submission of the panel report provided under sub-paragraphs (a) and (b), such re-submission to be made, if required by a direction issued by the Authority under paragraph 7(aa), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification); and
- (d) for the timetable (referred to in sub-paragraph (a)(iii)) for implementation of any modification to be either:
 - (i) in accordance with any direction(s) issued by the Authority under paragraph 6(af)(iii); or
 - (ii) where no direction has been issued by the Authority under paragraph 6(af)(iii), 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 required by the Authority.
- (e) for the completion of each of the procedural steps outlined in this paragraph 6F, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(af).

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 6F(a).

6G. The procedures for the modification of the CUSC shall provide that, where a proposal has been raised in accordance with paragraph 6C(a) or 6(f)(i), or by the Authority under paragraph 6C(ba) and it falls within the scope of paragraph 6H(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.

6H. Modification proposals fall within the scope of this paragraph where:

- (a) 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
- (b) the modification proposal is in respect of a significant code review.

7. (a) Without prejudice to paragraph 13A, if a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vi) or 6F(b), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the CUSC and any alternative modifications set out in such report, better facilitate achieving the applicable CUSC objectives the Authority may direct the licensee to make that modification.

(aa) If a report has been submitted to the Authority pursuant to the procedures described in paragraph 6(b)(vi) or 6F(b) and if the Authority determines that the report prepared in accordance with paragraph 6(b)(v) or 6F(a) is such that the Authority cannot properly form an opinion in accordance with paragraph 7(a), the Authority may issue a direction to the panel:

- (i) specifying the additional steps (including drafting or amending existing drafting of the amendment to the CUSC), revision (including revision to the timetable), analysis or information that it requires in order to form such an opinion; and
- (ii) requiring the report to be revised and be re-submitted in accordance with paragraph 6(b)(vii) or 6F(c).

(b) The licensee shall, upon receipt of a direction from the Secretary of State to do so, modify the CUSC 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.

(c) [Not used].

(d) The licensee shall only modify the CUSC:

(i) in order to comply with any direction of the Secretary of State pursuant to sub-paragraph (b) or any direction of the Authority pursuant to sub-paragraph (a); or

(ii) with the consent of the Authority; or

(iii) in accordance with paragraphs 6 (ab) and 13A, or

(iv) in accordance with paragraphs 6 (ag) and 13D

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

(e) Without prejudice to paragraph 6A or 6E, only the licensee shall have the power to modify the CUSC.

8. The licensee shall prepare and publish a summary of the CUSC 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 CUSC Framework Agreement and shall comply with the CUSC.

10. The CUSC Framework Agreement shall contain provisions:

(a) for admitting as an additional party to the CUSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the CUSC) on which accession to the CUSC 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 CUSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession had fulfilled all relevant standard conditions, for admitting such person to be a party to the CUSC Framework Agreement.

11. [Not used].

12. The licensee shall 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 and/or industry codes to which it is a party (or in relation to which it holds rights in respect of amendment), 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 CUSC, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the CUSC and any core industry document or industry code.
13. For the avoidance of doubt, paragraph 12 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 12 which the Authority may have.
- 13A. The procedures for the modification of the CUSC shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 13A 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 13A(d); and
 - (c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 13A(d); and
 - (d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 13A(b), determined, in accordance with paragraphs 6(b)(i) to (v) of this condition as applicable, 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 CUSC and any other modifications proposed in accordance with paragraph 6(b)(iv), better facilitate the achievement of the applicable CUSC objective(s); and

(e)

- (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 13A(d) in respect of such modification proposal and any alternative in accordance with paragraph 13B; or
- (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 13B and the Authority has not quashed the panel's determination referred to at paragraph 13A(d) of this condition 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.

13B. The procedures for the modification of the CUSC 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, provided the appeal has been made up to and including 15 days after the approval or rejection and in accordance with the procedures specified in the CUSC and, in the opinion of the Authority:

(a)

- (i) the appealing party is, or 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 CUSC 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 CUSC objectives; and

- (b) it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

13C. The procedures for the modification of the CUSC shall provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 13B that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal;
- (b) if the Authority quashes the panel's determination referred to at paragraph 13A(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 13B, the panel's determination of that modification proposal and any alternative referred to in paragraph 13A(d) of this condition shall be treated as a report submitted to the Authority in accordance with the procedures specified in paragraph 6(b)(vi) of this condition and paragraph 7(a) of this condition and the panel's determination shall be treated as its recommendation.

13D. The procedures for the modification of the CUSC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 13D (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) CUSC 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.

14. The licensee shall comply with any direction to the licensee made pursuant to this condition.

14A. 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, and shall create or modify industry documents including, but not limited to, the CUSC, core industry documents and industry codes where necessary no later than 31 March 2017.

15. In this condition:

"applicable CUSC
objectives"

means:

- (a) [not used]
- (aa) in relation to a proposed modification of the charging methodologies only, the objectives (as applicable) set out at:
 - (i) paragraph 5 of standard condition C5 in relation to the use of system charging methodology; and
 - (ii) paragraph 11 of standard condition C6 in relation to the connection charging methodology, and
- (b) in relation to any other proposed modification, the objectives set out in paragraph 1.

“charging methodologies”

means

- (a) the use of system charging methodology established in accordance with standard condition C4 (Charges for use of system); and/or
- (b) the connection charging methodology established in accordance with standard condition C6 (Connection charging methodology),

as applicable.

“charging methodology
forum”

means the forum (and related arrangements) established in the manner specified in the CUSC to facilitate meetings between the licensee and any other persons whose interests are materially affected by the applicable charging methodologies for the purpose of discussing the further development of the applicable charging methodologies, as shall be specified in 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.

“directions”	<p>means, in the context of paragraph 6C, direction(s) issued following publication of significant code review conclusions which shall contain:</p> <ul style="list-style-type: none"> (i) instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal; (ii) the timetable for the licensee to comply with the Authority’s direction(s); and (iii) the Authority’s reasons for its direction(s).
"fast track self-governance criteria"	<p>means that a proposal, if implemented,</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) updating names or addresses listed in the CUSC; (ii) correcting minor typographical errors; (iii) correcting formatting and consistency errors, such as paragraph numbering; or (iv) updating out of date references to other documents or paragraphs.
“industry code”	<p>means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Act or under sections 7, 7ZA or 7A the Gas Act 1986.</p>
“materially affected party”	<p>any person or class of persons designated by the Authority for this purpose.</p>

"self-governance criteria"

means a proposal that, 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 CUSC's governance procedures or the CUSC's modification procedures, and
- (b) is unlikely to discriminate between different classes of CUSC parties.

"self-governance statement"

means the statement made by the panel and submitted to the Authority in accordance with paragraph 13A(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) providing a detailed explanation of the panel's reasons for that opinion.

“significant code review”

means a review of one or more matters which the Authority considers is likely to:

- (a) relate to the CUSC (either on its own or in conjunction with other industry codes); and
- (b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Act), statutory functions and/or relevant obligations arising under Retained EU Law ~~EU law~~, and

concerning which the Authority has issued a notice to the CUSC 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

(a) commencing either:

- (i) on the start date of a significant code review as stated by the Authority; or
- (ii) on the date the Authority makes a direction under paragraph 6G (a “backstop direction”);

and

(b) ending either:

- (i) on the date on which the Authority issues a statement under paragraph 6C(b) (that no directions will be issued in relation to the CUSC); or
- (ii) if no statement is made under paragraph 6C(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with paragraphs 6(aa), 6C(a) and 7(d)(i), or the Authority makes a modification proposal under paragraph 6C(ba); or
- (iii) immediately under paragraph 6C(c), if neither a statement, a modification proposal or directions are made by the Authority up to 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 paragraph 6C(bb) or a direction has been made under paragraph 6G (a “backstop direction”), on the date specified in accordance with paragraph 6D.

“small participant”

means

- (a) a generator, supplier, distributor, or new entrant to the electricity market in Great Britain that can demonstrate to the code administrator that it is resource-constrained and, therefore, in particular need of assistance;
- (b) any other participant class of participant that the code administrator considers to be in particular need of assistance; and
- (c) a participant or class of participant that the Authority has notified to the code administrator as being in particular need of assistance.

"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 CUSC in certain circumstances.

Condition C11: Production of information about the national electricity transmission system

1. The licensee shall by 30 November 2014 (or such later date as the Authority may direct) for the financial year commencing 1 April 2014 and by 30 November (or such later date as the Authority may direct) in each financial year thereafter, use reasonable endeavours to prepare and publish a statement of network development information (“the electricity ten year statement”) in a form approved by the Authority pursuant to paragraph 8. The electricity ten year statement shall set out in respect of the current financial year and each of the nine succeeding financial years: circuit capacity, forecast power flows and loading on each part of the national electricity transmission system and fault levels for each transmission node, together with:

- (a) such further information as shall be reasonably necessary to enable any person seeking use of the national electricity transmission system to identify and evaluate the opportunities available when connecting to and making use of such system;
- (b) a commentary prepared by the licensee indicating those parts of the national electricity transmission system most suited to new connections and transport of further quantities of electricity;
- (bb) a commentary prepared by the licensee indicating where Major National Electricity Transmission System Reinforcements are likely to be required;
- (c) such further information as may be necessary for: authorised electricity operators, interconnected system operators, or any other transmission system operator or distribution system operator (as defined in the Electricity Directive) with whose system the licensee's transmission system is connected or with whom the licensee interfaces, to ensure the secure and efficient operation, coordination development and interoperability of the interconnected system;
- (d) a reasonable number of future scenarios prepared pursuant to paragraph 12;
- (e) ~~an explanation of any differences between the datasets used for the electricity ten year statement and the datasets used for the ten year network development plan;~~ [\[Not Used\]](#); and
- (f) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this condition.

2. The licensee shall prepare the electricity ten year statement in such a form and manner as is necessary to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission ("the co-ordinated development objective") and in accordance with the further development information objectives as set out in paragraph 3.

3. In preparing the electricity ten year statement, the licensee shall use the future scenarios developed pursuant to paragraph 12, in such a form that provides:

- (a) the licensee's best view of the design and technical characteristics of the development of the national electricity transmission system, considering:
 - (i) the likely development of the national electricity transmission system;
 - (ii) the likely capacity, location and timing of the development of onshore and offshore generating stations and interconnector(s);

- (iii) the likely location of feasible connection points for new offshore transmission systems to the national electricity transmission system;
 - (iv) to the extent that information is available to the licensee, possible routing options for new transmission circuits that might be used to connect generating stations and interconnector(s) in offshore waters to the national electricity transmission system;
- (b) the licensee's best view of the potential reinforcements to the national electricity transmission system that may be required to connect onshore and offshore generating stations and interconnector(s);
- (c) the licensee's best estimates of the costs associated with connecting onshore and offshore generating stations and interconnector(s);
- (d) the licensee's best view of other economic and technical factors, to help planning of onshore and offshore generating stations and interconnector(s); and
- (e) the licensee's best view of the capacity, location and timing of the connection of new interconnectors that would facilitate an efficient economical and coordinated system of electricity. This should take into account the impact on GB wholesale prices, the provision of ancillary services, constraint management and other operational considerations;

collectively, "the development information objectives".

4. The licensee shall include in every statement prepared pursuant to paragraph 1 above the information required by that paragraph except that the licensee may, with the prior consent of the Authority, omit from such statement any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the Authority, seriously and prejudicially affect the commercial interests of the licensee or any other transmission licensee or any third party.
5. The licensee shall not less than once in each financial year (and at such other times as the Authority may direct), in consultation with interested parties, review the most recent electricity ten year statement prepared and published pursuant to paragraph 1. The consultation shall be of such a form and duration to reasonably allow all interested parties to contribute to the preparation of the electricity ten year statement. The licensee shall provide to the Authority, no later than 14 days after it has completed its consultation, copies of all of the responses that it has received to any consultation undertaken pursuant to this paragraph.

6. Following a review of the electricity ten year statement pursuant to paragraph 5, the licensee shall propose to the Authority any suggested revisions to the ten year electricity statement that it considers would better facilitate the co-ordinated development objective and the development information objectives. Any such revisions shall, as appropriate, be included in the licensee's submissions to the Authority pursuant to paragraphs 8 and 15.
7. The licensee shall periodically revise (at least once every 6 months) the information set out in the statement prepared pursuant to paragraph 1 to ensure that the information set out in the statement remains accurate in all material respects.
8. The licensee shall submit to the Authority for approval the proposed form of the electricity ten year statement to be published in the financial year commencing 1 April 2014 by no later than 1 June 2014 and submit to the Authority for approval any proposed revisions to the form of the electricity ten year statement by no later than 1 June in each subsequent financial year thereafter or at such other date as directed by the Authority.
9. The Authority may:
 - (a) within 28 days of receipt of the licensee's proposals pursuant to paragraph 8, give a direction to the licensee that the proposed form of the electricity ten year statement or the proposed revisions to the form of the electricity ten year statement requires further development; and
 - (b) subsequently, following consultation with the licensee and other interested parties, direct the areas in which the licensee shall be required to make revisions to the proposed form of the electricity ten year statement and the date by which the licensee shall be required to submit a revised form of the electricity ten year statement to the Authority for approval.
10. If, within 28 days of receipt of the licensee's proposals pursuant to paragraph 8, the Authority has not given a direction to the licensee pursuant to paragraph 9, the form of the electricity ten year statement proposed by the licensee will be deemed to have been approved by the Authority.
11. The licensee shall publish the electricity ten year statement on its website in such readily accessible form and manner that it considers will facilitate the achievement of the co-ordinated development objective and the development information objectives, and must give a copy of the statement on request and free of charge to any person who asks for one.
12. The licensee shall, in consultation with interested parties, prepare a reasonable number of future scenarios that it proposes to include within the electricity ten year statement. The consultation shall be of such a form and duration as to reasonably allow all interested parties to contribute to

the preparation of the future scenarios. The future scenarios shall be reasonable, reflect uncertainties and shall, as far as practicable, be consistent with scenarios that the licensee uses in other relevant areas of work.

13. Each future scenario prepared pursuant to paragraph 12 shall include a description of the key assumptions made by the licensee in developing that future scenario, including, but not limited to:
 - (a) the capacity, location and timing of the connection of generating stations, having regard to information generally available in the public domain as well as such information, if any, made available to the licensee for use in the electricity ten year statement by interested parties with respect to generating stations planned to be developed;
 - (aa) the capacity, location and timing of the connection of new interconnectors, having regard to the overall level of interconnector capacity between the national electricity transmission system and transmission systems in other jurisdictions that the licensee reasonably considers likely;
 - (b) the wider development of the national electricity transmission system, having regard to the licensee's investment plans and investment plan information provided by other authorised electricity operators; and
 - (c) the plant and equipment that the licensee considers would reasonably be available to transmission owners and interconnectors;

together with a description of the data used by the licensee to model each of the future scenarios.

14. The licensee shall finalise the future scenarios that it proposes to use in the preparation of the electricity ten year statement it prepares pursuant to paragraph 1, taking account of the views expressed by interested parties in response to the consultation undertaken by the licensee pursuant to paragraph 12.
15. The licensee shall submit the following information to the Authority by no later than 31 January 2015 and by no later than 31 January in each subsequent financial year (or such other date as the Authority may direct):
 - (a) the future scenarios, or any revisions to the future scenarios, that it proposes to include in the electricity ten year statement;

- (b) a detailed explanation of the consultation process undertaken in the development of the future scenarios; and
- (c) a summary of views from interested parties on the future scenarios and an explanation of how these responses were taken into account in the design of the future scenarios.

16. If the Authority is not satisfied that the future scenarios proposed by the licensee would facilitate the achievement of the coordinated development objective and the development information objectives, the Authority may, within 28 days of receipt of the future scenarios pursuant to paragraph 15, issue a direction to the licensee that the future scenarios proposed by the licensee require further development.
17. The Authority may subsequently, following consultation with the licensee and other interested parties, direct the areas in which the licensee shall be required to make revisions to the future scenarios and any further consultation with interested parties that the licensee shall be required to undertake together with the date by which the licensee shall be required to submit those further revisions to the future scenarios to the Authority.
18. The licensee shall also include in the electricity ten year statement an explanation of how responses from interested parties on the future scenarios were taken into account in further revisions of the future scenarios.
19. In this condition:

“interested parties” includes authorised electricity operators, potential offshore transmission owners, the Crown Estate, Government bodies and institutions with an interest in the development of the national electricity transmission system.

~~“ten year network development plan” refers to the non-binding European Community wide ten year network plan published every two years in accordance with Article 8 of EC Regulation No 714/2009, and which includes a European generation adequacy outlook built on national generation adequacy outlooks prepared by each individual transmission system operator.~~

“interconnected system operator” means any authorised electricity operator, or any other transmission system operator or distribution system operator (having the meaning given by the Electricity

Directive) with whose system the licensee's transmission system is connected or with whom the licensee interfaces.

Condition C19: Duty to cooperate

1. This condition shall apply where the licensee has entered into a framework agreement or otherwise acceded to an Industry Code.
2. The licensee will cooperate with the Authority and/or any person(s) appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any reasonable requests in relation to planning, project assurance and/or coordination/systems integration in order to give full effect to the conclusions of a Significant Code Review.
3. Cooperation for the purposes of C19(2) may include but not be limited to:
 - a) the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a Significant Code Review;
 - b) the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;
 - c) the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;
 - d) the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing;
 - e) all reasonable steps to:
 - i) meet key programme milestones for the completion of any action(s) assigned to the licensee;
 - ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;
 - iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and,

- iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

Interpretation

- 4. In this condition:

Significant Code Review means a review of matters in relation to its principal objective and/or general duties (under section 3A of the Electricity Act or section 4AA of the Gas Act), statutory functions and/or relevant obligations arising under **Retained EU Law EU law**, which the Authority considers are likely to relate to one or more of the documents referred to in this condition, or to which the licensee is required under this licence to be a party, and concerning which the Authority has consulted upon and issued a Notice to the parties stating that the review will constitute a Significant Code Review.

Industry Code means any and all of the following:

- a) the Grid Code;
- b) the Distribution Code;
- c) the Connection and Use of System Code (CUSC);
- d) the Balancing and Settlement Code (BSC);
- e) the System Operator – Transmission Owner Code (STC)

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

- 1. This condition sets out the licensee's role in assessing options for the development of the national electricity transmission system (including Offshore Wider Works) and interconnector capacity. The network options assessment (NOA) process is designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission and the development of efficient interconnector capacity.
- 2. The methodology underpinning the NOA process, along with how this will be approved, is set out in Part A of this condition. The requirements for the publication of the annual NOA report are outlined in Part B. The licensee's obligations regarding the provision of information underpinning the NOA process are described in Part C. Part D sets out the role the licensee will play in the early development of options and the circumstances in which the licensee will be

required to do so. Together, all of these activities make up the NOA process.

3. The licensee must take such steps as are within its power, and it considers may be necessary to enable the NOA process. In carrying out the NOA process, the licensee must act in a manner that best ensures transparency and independence.

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

4. The licensee must, not less than once in each financial year (and at such other times as the Authority may direct), develop proposals for the NOA methodology and the form of the NOA report in consultation with interested parties. The consultation shall be of such a form and duration as practicable to reasonably allow all interested parties to contribute.
5. Following any consultation pursuant to paragraph 4, the licensee must:
 - (a) by 1 October 2015, or at such other date as directed by the Authority, submit to the Authority a proposed NOA methodology and proposed form of the initial NOA report (“the initial NOA report”). The licensee must make reasonable endeavours to ensure the NOA methodology includes the information set out in paragraph 8. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues; and
 - (b) by 1 August of each subsequent financial year, or at such other date as directed by the Authority submit to the Authority for approval the proposed NOA methodology and form of the NOA report.
6. Submissions made under paragraph 5 must include:
 - (a) a detailed explanation of the consultation process undertaken in the development of the NOA methodology and the form of the NOA report;
 - (b) a summary of views from interested parties and an explanation of how these were taken into account in the development of the NOA methodology and the form of the NOA report; and
 - (c) copies of any formal responses submitted to the licensee as part of its consultation process.
7. The Authority will on receipt of a submission under paragraph 5:

- (a) approve the proposed NOA methodology and/or form of the NOA report; or
 - (b) give a direction to the licensee that the NOA methodology and/or form of the NOA report requires further development, and the date by which the licensee is required to submit a revised NOA methodology and/or the form of the NOA report to the Authority for approval.
- 8. The NOA methodology must be designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and must include (but need not be limited to):
 - (a) the approach used for determining what constitutes Major National Electricity Transmission System Reinforcements;
 - (b) the approach (which must be in accordance with paragraph 9) used for identifying and assessing options to meet system needs in accordance with the development of an efficient, co-ordinated and economical system of electricity transmission to be set out in the NOA report in accordance with 16;
 - (c) how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the NOA methodology; and
 - (d) details of the licensee's proposed timetable for updating and consulting on the methodology for the NOA reports.
- 9. The approach included in the methodology pursuant to paragraph 8(b) must include (but need not be limited to):
 - (a) the approach used to assess the technical, economic and environmental impacts and risks;
 - (b) the approach used for modelling boundary capacity, offshore transmission capacity and interconnector capacity along with assumptions and assessment criteria used; and
 - (c) the basis for the cost estimate provided for each option.

Part B: The NOA report

10. The licensee must publish an initial NOA report by 31 March 2016 or such other date as directed by the Authority. The initial NOA report must be based on the NOA methodology and be in a form approved by the Authority in accordance with paragraph 7. In producing the initial NOA report, the licensee must make reasonable endeavours to ensure it includes the information set out in paragraph 16. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress any outstanding issues.
11. If, following a submission of the NOA methodology and form of the initial NOA report in accordance with paragraph 5(a), the Authority has not approved or directed further development of the NOA methodology and/or form of the NOA report in accordance with paragraph 7 by 1 December 2015, the publication date set out in paragraph 9 will be treated as being amended accordingly. The amendment will equal the number of days between 1 December 2015 and receipt of the Authority's approval or direction.
12. Following publication of the initial NOA report the licensee must:
 - (a) review at least once in each financial year the NOA report prepared and published in the previous financial year and consider any improvements to better facilitate the development of an efficient, co-ordinated and economical system of electricity transmission; and
 - (b) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 7.
13. If, following a submission of the methodology and the form of the NOA report by the date set out in paragraph 5(b), the Authority has not approved or directed further development of the NOA methodology and/or form of the report in accordance with paragraph 7 by 1 October the publication date set out in paragraph 11(b) will be treated as amended accordingly. The amendment will equal the number of days between 1 October and receipt of the Authority's approval or direction.
14. The licensee must publish the NOA report on its website in such readily accessible form and manner that it considers will facilitate the development of an efficient, co-ordinated and

economical system of electricity transmission, and provide a copy of the NOA report on request, and free of charge, to any person who asks for one.

15. In complying with the requirements of paragraph 13, the licensee must have due regard to the need for excluding from the NOA report any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any omission of information from the NOA report.
16. Each NOA report (including the initial NOA report) must be produced using the latest available data and in accordance with the methodology established pursuant to paragraph 8, and must, in respect of the financial year in which the report is published and each of the nine succeeding financial years:
 - (a) set out the licensee's best view of the options for Major National Electricity Transmission System Reinforcements and additional interconnector capacity that could meet the needs identified in the electricity ten year statement (ETYS) and facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, including (but not limited to) any:
 - (i) options for Non Developer-Associated Offshore Wider Works;
 - (ii) options that involve construction of new transmission capacity;
 - (iii) options that do not involve, or involve minimal, construction of new transmission capacity;
 - (iv) options based on commercial arrangements with users to provide transmission services and balancing services;
 - (v) options that require liaison with a holder of a distribution licence on distribution system solutions;
 - (vi) options recommended previously by the licensee to proceed but which have not been progressed by the transmission licensee to which the recommendation was given;
 - (vii) options that cross the boundaries of two or more electricity licensee's transmission areas; and
 - (viii) options suggested by other interested persons.
 - (b) set out, in accordance with paragraph 17, the licensee's best view of the relative suitability of each option or combination of options set out pursuant to paragraph 16, for facilitating

the development of an efficient, co-ordinated and economical system of electricity transmission.

- (c) set out the licensee's recommendations on which, if any, of the option(s) set out pursuant to paragraph 16(a) should be developed further to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission;
- (d) set out the licensee's best view of which, if any, of the options recommended pursuant to paragraph 16(c) comprise assets some or all of which satisfy the criteria in the Guidance on the Criteria for Competition, being a document of that name issued by the Authority and updated by the Authority from time to time, following consultation;
- (e) set out the licensee's best view of which, if any, connections (or modifications to existing connections) which arise from applications made for the purposes of standard condition C8 (Requirement to offer terms), comprise assets some or all of which satisfy the criteria in the Guidance on the Criteria for Competition, being a document of that name issued by the Authority and updated by the Authority from time to time, following consultation;
- (f) be consistent with the ETYS and where ~~possible~~ [requested by Ofgem](#) align with the Ten Year Network Development Plan ~~as defined in standard condition C11 (Production of information about the national electricity transmission system)~~ [and](#), in the event of any material differences between the Ten Year Network Development plan and the NOA report an explanation of the difference and any associated implications must be provided; and
- (g) have regard to interactions with existing agreements with parties in respect of developing the national electricity transmission system and changes in system requirements.

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

Part C: Provision of information

18. Based on the NOA methodology set out in Part A, the licensee must provide electricity transmission licensees and interconnector developers if requested to do so with:
- (a) information and analysis to support them in their decision-making and development of options to meet system needs as identified in the ETYS. This must include information on the potential for coordination between parties where the licensee's analysis suggests coordination could facilitate the development of an efficient, co-ordinated and economical system of electricity transmission. The licensee must provide this information and analysis in such form and within such timescales as transmission licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' decision making and development of options;
 - (b) its assessment of the options that a party is considering for Major National Electricity Transmission System Reinforcements and interconnectors, as well as its assessment of any alternative options being considered by other parties. The licensee must provide the assessment in such form and within such timescales as transmission licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' decision making; and
 - (c) updated information and analysis to support submissions to the Authority in such form and within such timescales as transmission licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' submissions to the Authority.
19. In complying with the requirements of this paragraph, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.
20. Based on the NOA methodology set out in Part A, the licensee must if requested submit to the Authority the information it has provided to parties under paragraph 16 on the assessment of options to meet a particular system requirement. This includes but is not limited to information to support a needs case for a Strategic Wider Works Output, a Needs Case for Developer-Associated Offshore Wider Works and any interconnector developers submission to the Authority. The licensee must also submit any additional information requested by the Authority. The licensee's submissions must be made in timescales consistent with related submissions from

other parties to the Authority, and as directed by the Authority.

21. In relation to interconnectors, based on the NOA methodology set out in Part A, the licensee must submit to the Authority, within the timescales directed by the Authority, information on:
 - (a) the efficiency of the connection choices made by an interconnector developer, based on the licensee's involvement in assessing different options, including the costs of any necessary reinforcements required to connect interconnectors to the national electricity transmission system;
 - (b) the licensee's assessment of the impact of new interconnectors on system operation. This should include costs and benefits relating to provision of security of supply including ancillary services, constraint management and other operational factors, which may accrue to the licensee and to consumers; and
 - (c) the licensee's assessment of changes in wholesale prices as a result of interconnector flows and the impact of these changes on GB consumers, generators and interconnectors.
22. The Authority may direct the licensee to submit information to the Authority additional to the information provided by the licensee to the Authority pursuant to paragraphs 20 and 21, within such timeframe as the Authority may require.

Part D: Early development of options

23. The licensee must undertake early development of options for Non Developer-Associated Offshore Wider Works where these have been identified as options for the development of the national electricity transmission system in accordance with the NOA methodology. The development of these options should be consistent with the NOA methodology and undertaken in a transparent manner which will enable the options to be compared with alternative options (including those being developed by other parties) in accordance with the requirements in paragraph 15(a)(i) and (ii).
24. For the purposes of paragraph 23:
 - (a) early development may be limited to desktop works; and
 - (b) early development must be undertaken in a manner which:

- (i) enables the licensee to adequately compare, in accordance with paragraph (b), the options that it sets out pursuant to paragraph 16(a);
- (ii) is consistent with the NOA methodology set out by the licensee in accordance with paragraphs 8 and 9; and
- (iii) is transparent.

25. [In this condition the “ten year network development plan” refers to the non-binding European Community-wide ten year network plan published every two years in accordance with Article 8 of EC Regulation No 714/2009, and which includes a European generation adequacy outlook built on national generation adequacy outlooks prepared by each individual transmission system operator.](#)

Condition E2: Regulatory Accounts

Part A: Application and purpose

16. This condition applies for the purpose of ensuring:

- (a) the licensee prepares and publishes regulatory accounts within the meaning of paragraph 3 (b); and
- (b) that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records and reporting arrangements for the consolidated transmission business as are necessary to enable the licensee to comply with that obligation.

Part B: Preparation of accounts

2. For the purposes of this condition, but without prejudice to paragraph 6, the licensee shall prepare regulatory accounts for each financial year ending on 31 March.

3. Unless the Authority otherwise consents, the licensee shall:

- (a) keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section, such accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to the consolidated transmission business are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee, including a separate balance sheet and a separate profit and

loss account (or, as appropriate, an income statement) for the consolidated transmission business and any other business of the licensee; and

- (b) prepare, on a consistent basis from such accounting records in respect of each financial year, regulatory accounts (including notes thereto and statements of the accounting policies adopted) of the licensee comprising:
 - (i) a profit and loss account (or, as appropriate, an income statement);
 - (ii) a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and if appropriate a statement of recognised income and expense);
 - (iii) a balance sheet;
 - (iv) a cash flow statement;
 - (v) a corporate governance statement in respect of the consolidated transmission business;
 - (vi) a directors' report in respect of the consolidated transmission business;
 - (vii) an operating and financial review in respect of the consolidated transmission business; and
 - (viii) a statement showing separately in respect of the consolidated transmission business and in appropriate detail the amounts of any revenue (including, where applicable, revenue from the ownership of the transmission network), cost, asset, liability, reserve or provision which has either been:
 - (aa) charged from any ultimate controller of the licensee, together with any subsidiary of such ultimate controller (other than the licensee or its subsidiaries) in relation to the provision of goods or services to the licensee;
 - (bb) charged from the licensee together with any subsidiary of the licensee in relation to the provision of goods or services to any ultimate controller of the licensee together with any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries); or
 - (cc) determined by apportionment or allocation to the consolidated transmission business or between any other business of the licensee or affiliate or related undertaking together with a description of the basis of the apportionment or allocation;

provided that the obligations in (aa), (bb) and (cc) above shall only apply to goods and services received or supplied for the purposes of the consolidated transmission business.

4. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written approval, the licensee shall not in relation to the regulatory accounts in respect of a financial year change the bases of charge or apportionment or allocation referred to in paragraph 3(b)(viii) from those applied in respect of the previous financial year.
5. Where, in relation to the regulatory accounts in respect of a financial year, the licensee has, in accordance with paragraph 4 above, changed such bases of charge or apportionment or allocation or changed any of its accounting policies or the application of those accounting policies from those adopted for the immediately preceding financial year, the licensee shall, if directed by the Authority in writing, in addition to preparing regulatory accounts on those bases which it has adopted, also prepare such regulatory accounts on the bases and the accounting policies and the application of its accounting policies which applied in respect of that immediately preceding financial year.
6. Regulatory accounts and information in respect of a financial year prepared under paragraph 3(b) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition, have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under section 226 and 226A or, where appropriate, section 226B of the Companies Act 1985 and shall comply with all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, where appropriate, by the International Accounting Standards Board.
- 6A. The accounting records kept or caused to be kept by the licensee under paragraph 3(a) shall include as applicable:
 - (a) separate accounting records for each business of the licensee related to electricity transmission activities and electricity distribution activities;
 - (b) accounting records, which may be consolidated, for each business of the licensee related to electricity activities other than electricity transmission activities and electricity distribution activities; and
 - (c) unless otherwise approved by the Authority having regard to the purposes of this condition, consolidated accounts for each business of the licensee not related to electricity activities.

Part C: Audit and delivery of accounts

7. Unless the Authority otherwise consents, the licensee shall:
- (a) procure, in relation to its regulatory accounts:
 - (i) an audit by an appropriate auditor of such parts of those accounts and the directors' report and operating and financial review as are specified in the Companies Act 1985 as being required to be so audited as if the licensee were a quoted company and they were the statutory accounts of the licensee prepared under sections 226 and 226A or, as appropriate, section 226B of the Companies Act 1985 drawn up to 31 March; and
 - (ii) a report by that auditor, addressed to the Authority, stating whether in the auditor's opinion those accounts fairly present the financial position, financial performance and cash flows of or reasonably attributable to the consolidated transmission business in accordance with the requirements of this condition; and
 - (b) deliver to the Authority those accounts and the auditor's reports referred to in sub-paragraph (a)(ii) and paragraph 8 as soon as is reasonably practicable, and in any event prior to their publication under Part D and not later than 31 July following the end of the financial year to which the regulatory accounts relate.
8. The licensee shall take all appropriate steps within its power to procure, in relation to its regulatory accounts:
- (a) that the audit referred to in paragraph 7(a)(i) verifies whether the obligations in respect of the prohibition of ~~to avoid~~ discrimination and cross-subsidies generally, and in particular, under standard conditions E6 (Prohibition of cross-subsidies) and E19 (Prohibition on engaging in preferential or discriminatory behaviour) of this licence ~~specified in Article 31 of the Electricity Directive~~ has~~yes~~ been respected by the licensee; and
 - (b) that the appropriate auditor reports separately on that matter from his report under paragraph 7(a)(ii) addressed to the Authority.
9. For the purposes of paragraphs 7 and 8, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the regulatory accounts of the licensee must be conducted by that auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with either section 226A or 226B of the Companies Act 1985.

Part D: Publication of regulatory accounts

10. Unless the Authority otherwise directs, after consulting the licensee, the licensee shall publish its regulatory accounts with the exception of the part of such regulatory accounts which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively required under paragraph 3(b)(viii), and any other information agreed by the Authority in writing to be confidential:
 - (a) as a stand-alone document in accordance with this condition;
 - (b) by 31 July following the end of the financial year to which the accounts relate;
 - (c) on a website used by the licensee in its ordinary course of business (where the regulatory accounts should be reasonably accessible to any person requiring them); and
 - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
11. A copy of the regulatory accounts must be provided free of charge:
 - (a) to Citizens Advice and Citizens Advice Scotland (or any successor entity), no later than the date on which the regulatory accounts are published; and
 - (b) to any person requesting a copy.

Part E: Interpretation

12. References in this condition to sections of the Companies Act 1985 are references to those provisions as amended, substituted or inserted by the relevant provisions of the Companies Act 1989, and if such provisions of the Companies Act 1989 are not in force at the date on which this condition takes effect, it must be construed as if such provisions were in force at such date.
13. A consent under paragraph 3 or directions under paragraphs 4 or 5 may be given in relation to some or all of the requirements of the relevant paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.
14. In this condition:
 - (a) “corporate governance statement” means a statement which describes how the principles of good corporate governance have been applied to the licensee and which a quoted company is required to prepare pursuant to the Combined Code on Corporate Governance issued under the Financial Services Authority’s listing rules and interpretations on corporate governance

(and, for the purposes of this condition, the requirement for a quoted company to prepare such a statement is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).

- (b) “directors’ report” means a report having the coverage and content of the directors’ report which a quoted company is required to prepare pursuant to sections 234, 234ZZA and 234ZZB of the Companies Act 1985 (and, for the purposes of this condition, the requirement for a quoted company to prepare such a report is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
- (c) “operating and financial review” means a review having the coverage and content of the operating and financial review which a quoted company is required to prepare pursuant to section 234AA of the Companies Act 1985 and in accordance with Schedule 7ZA thereof (and, for the purposes of this condition, the requirement for a quoted company to prepare such a review is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
- (d) “quoted company” has the meaning attributed to it by the Companies Act 1985.

Condition E5: Provision of information to the Authority

1. Subject to paragraphs 5 and 7, the licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:
 - (a) the functions conferred on the Authority by or under the Act, the Energy Act 2004, the Energy Act 2008 and the Energy Act 2010;
 - (b) any functions transferred to or conferred on it by or under the Utilities Act 2000; and
 - (c) any designated regulatory function conferred on the Authority by or under the ~~Electricity Directive or Electricity Regulation, including any function conferred on the Authority in its capacity as national regulatory authority for Great Britain.~~
2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that the ultimate controller ("the information covenantor") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the

information covenantor (other than the licensee and the licensee's subsidiaries) will give to the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.

3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.
4. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
 - (a) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
 - (b) there is an unremedied breach of such undertaking; or
 - (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.
5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 47 of the Act.
6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as the transmission licensee) which the Authority proposes to publish pursuant to section 48 of the Act.
7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
8. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Condition E23: Notification of changes that may affect eligibility for certification

1. Where the licensee has made or makes an application for certification under section 10B of the Act, if at any time prior to the Authority notifying the licensee of its ~~final~~ certification decision under section 10D(~~7~~4) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
2. Where the licensee has been certified, if at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
3. If at any time ~~from 3 March 2013~~ the licensee knows or reasonably should know that any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a ~~third~~ country outside the United Kingdom, or that a person from a ~~third~~ country outside the United Kingdom has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.
4. If at any time from the relevant date the licensee exercises or is likely to exercise any shareholder right of appointment in the circumstances described in section 10M of the Act, the licensee shall as soon as is reasonably practicable notify the Authority in writing of the right that has been or is likely to be exercised and the effect of exercising that right.
5. Where the licensee has been certified, by 31 July of each year following certification the licensee shall provide the Authority with a written declaration, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, setting out:
 - (a) whether any event or circumstance has occurred in the previous 12 month period, or such part of that 12 month period since the licensee was certified, that may affect the licensee's eligibility for certification, and if so, the reasons it considers that the event or circumstance may affect its eligibility for certification;

- (b) whether any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a person from a ~~third~~-country outside the United Kingdom, or a person from a ~~third~~-country outside the United Kingdom has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified, ~~providing that the licensee is only required to provide a written declaration under this paragraph (b) in relation to a period that occurs after 3 March 2013;~~ and
- (c) Whether the licensee has exercised any shareholder right or right of appointment in the circumstances described in section 10M of the Act in the previous 12 month period or such part of that 12 month period since the licensee was certified and if so the effect of exercising that right, providing that the licensee is only required to provide a written declaration under this paragraph (c) where it has been certified on the certification ground in section 10E(3) of the Act and in relation to a period that occurs after the relevant date.

6. In this condition:

“certified” has the same meaning as in section 10O of the Act

“control” has the same meaning as in section 10O of the Act

“person from a ~~third~~-country outside the United Kingdom” has the same meaning as in section 10O of the Act

“relevant date” has the same meaning as in section 10M of the Act

“shareholder right” has the same meaning as in section 10O of the Act.

Annex 4.2.a. Electricity Transmission Amended Standard Conditions Marked Licence Text

1. Tender Rounds 3, 4 and 5 Licences: Amended Standard Condition E12-A1

Licensees affected

Tender Rounds 3, 4 and 5 Licences: TC Westernmost Rough OFTO Limited, Humber Gateway OFTO Limited, Diamond Transmission Partners BBE Limited, TC Dudgeon OFTO plc.

Amended Standard Condition E12–A1: Definitions and Interpretation

Definitions in alphabetical order

6. In these amended standard conditions unless the context otherwise requires:

"Competent Authority"

means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Takeovers and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish and Welsh Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, the United States of America or the European ~~Union-Community~~.

"Exceptional Event"

means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes a Transmission Service Reduction and includes (without limitation) an act of God, an act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), governmental restraint, Act of Parliament, any other legislation, or bye law, or directive (not being any order, regulation or direction under section 32, 33, 34 and 35 of the Act) or decision of a Court of Competent Authority ~~or the European Commission~~ or any other body having jurisdiction over the activities of the licensee provided that lack of funds shall not be interpreted as a cause beyond the reasonable control of the licensee. For the avoidance of doubt, weather conditions which are reasonably expected to occur at the location of the event or circumstance are not

considered to be beyond the reasonable control of the licensee.

Annex 4.2.c Electricity Offshore Transmission Licence Amended Standard Conditions - Tender Round 1 and 2 Licences

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 double underlined.

Tender Round 1 and 2 Licences: Amended Standard Condition E12-C3

Licensees affected

Tender Round 1 and 2 Licences: TC Robin Rigg OFTO Limited TC Barrow OFTO Limited, TC Gunfleet Sands OFTO Limited, TC Ormonde OFTO Limited, TC Lincs OFTO Limited, Blue Transmission Sheringham Shoal Limited, Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission London Array Limited, WoDS Transmission plc, Greater Gabbard OFTO plc, Thanet OFTO Limited, Gwynt y Môr OFTO plc.

Amended Standard Condition E12 - C3: Restriction on use of certain information

5. In this condition:

"competent authority"

means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Takeovers and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish and Welsh Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, the United States of America or the European Union
~~Community~~.

1. Tender Round 1 and 2 Licences: Amended Standard Condition E12-J1

Licensees affected

Tender Round 1 and 2 Licences: TC Robin Rigg OFTO Limited, TC Barrow OFTO Limited, TC Gunfleet Sands OFTO Limited, TC Ormonde OFTO Limited, TC Lincs OFTO Limited, Blue Transmission Sheringham Shoal Limited, Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission London Array Limited WoDS Transmission plc, Greater Gabbard OFTO plc, Thanet OFTO Limited, Gwynt y Môr OFTO plc.

Amended Standard Condition E12 - J1: Restriction of Transmission Revenue: Definitions

1. In this condition and in amended standard conditions E12 - J2 to E12-J10 inclusive:

"exceptional event"

means an Event or circumstance that is beyond the reasonable control of the licensee and which results in or causes a Transmission Service Reduction and includes (without limitation) an act of God, an act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), governmental restraint, Act of Parliament, other legislation, bye law or directive (not being any order, regulation or direction under section 32, 33, 34 and 35 of the Act) or decision of a Court of competent authority ~~or the European Commission~~ or any other body having jurisdiction over the activities of the licensee provided that lack of funds shall not be interpreted as a cause beyond the reasonable control of the licensee. For the avoidance of doubt, weather conditions which are reasonably expected to occur at the location of the event or circumstance are not considered to be beyond the reasonable control of the licensee.

Annex 4.3.a. National Grid Electricity Transmission Plc Special Conditions Change Marked Licence Text

Special Condition 1A. Definitions and Interpretation

Definitions in alphabetical order

1A.5 In the Special Conditions, unless the context otherwise requires:

“Competent Authority”	means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, the United States of America or the European Community . <u>Union</u>
“Exceptional Event”	for the purposes of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes (without limitation) an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 50 faults being recorded by the licensee on the licensee’s Transmission System in any 24 hour period, governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a Court of Competent Authority or the European Commission or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.

Annex 4.4.a. Scottish Hydro Electric Transmission Plc Special Conditions Change Marked Licence Text

Special Condition 1A. Definitions and Interpretation

Definitions in alphabetical order

1A.1 In the Special Conditions, unless the context otherwise requires:

“Competent Authority”	means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European Union Community .
“Exceptional Event”	for the purposes of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes (without limitation) an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 7 faults being recorded by the licensee on the licensee’s Transmission System in any 24 hour period, governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a Court of Competent Authority or the European Commission or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.

Special Condition 2B. Restriction on the use of certain information

- (a) Any information relating to or deriving from the management or operation of the Transmission Business shall, for the purposes of this condition, be treated as confidential information.

2. The licensee shall not (and shall procure that its affiliates and related undertakings shall not) disclose or authorise access to confidential information:
 - (a) save to the extent provided by sub-paragraphs 3(b) to (d), to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of any other business (whether or not a separate business) of the licensee; or
 - (b) save to the extent permitted by paragraph 3, to any other person.
3. Subject to paragraphs 9 to 12 of Special Condition 2I (Independence of and appointment of managing director of the Transmission Business), the licensee shall (and shall procure that its affiliates and related undertakings shall) disclose or authorise access to confidential information only:
 - (a) in the following circumstances, namely;
 - (i) to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities and require access to the information for that purpose;
 - (ii) to personnel of any holder of a distribution licence or a transmission licence holder engaged in the external distribution activities of that distribution licence holder, or the external transmission activities of that transmission licence holder (as the case may be), to the extent necessary for the performance by such personnel of those external distribution activities, or those external transmission activities (as the case may be), and the use by such personnel of that information for that purpose;

provided that effective arrangements are maintained in place at all times for ensuring that no further disclosure of any information supplied or obtained pursuant to this paragraph is made and that such information is used only for the purpose of the Transmission Business or any external transmission activities of the licensee;
 - (b) where the licensee (or any affiliate or related undertaking of the licensee) is required or permitted to disclose such information by virtue of:
 - (i) any requirement of a competent authority;
 - (ii) the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which it is required by virtue of the Act or that licence to comply;
 - (iii) any other requirement of law; or
 - (iv) the rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;
 - (c) where such information was provided by or relates to any person who has notified (or otherwise agreed with) the licensee that it need not be treated as confidential;
 - (d) where such information, not being information provided by or relating to any person other than the licensee, is placed by the licensee in the public domain; or
 - (e) where such information is required for the purposes of assisting other transmission licence holders, including National Grid Company plc in the capacity of the party who has been identified by the Minister for Energy as the party whose application to be GB System Operator the government is minded to accept, to prepare for and plan and develop the operation of a GB Transmission System and such other matters as will

facilitate the implementation of new arrangements relating to the trading and transmission of electricity in Great Britain designed –

- (i) to promote the creation of a single competitive wholesale electricity trading market; and
- (ii) to introduce a single set of arrangements for access to and use of any Transmission System in Great Britain,

and in each case the licensee shall disclose or authorise access to the confidential information only insofar as is necessary or appropriate in all the circumstances.

4. Subject to paragraphs 9 to 12 of Special Condition 2I (Independence of and appointment of managing director of the Transmission Business), the licensee shall use all reasonable endeavours to ensure that any person who is in possession of or has access to confidential information in accordance with sub-paragraph 3(a) shall use such information only for the purposes of the Transmission Business or any external transmission activities.

5. In this condition

~~"competent authority"~~

~~means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Takeovers and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, the United States of America or the European Community.~~

"confidential information"

bears the meaning given at paragraph 1.

"Electricity Arbitration Association"

means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.

"external distribution activities"

means any business of the licensee or any affiliate or related undertaking comprising or ancillary to the maintenance, repair or operation of, or other activities in connection with any electricity distribution or Transmission System other than the licensee's distribution system ("an external distribution system").

"external transmission activities"

has the meaning given to that term in Special Condition 2I (Independence of and appointment of managing director of the Transmission Business) of this part of this licence.

Special Condition 2I. Independence of and appointment of managing director of the Transmission Business

1.
 - (a) The licensee shall establish and shall thereafter maintain the full managerial and operational independence of the Transmission Business and any external transmission activities from each other business (whether or not a separate business) of the licensee and of its affiliates and related undertakings.
 - (b) The licensee shall appoint an officer (hereafter referred to as "the Managing Director of Transmission") to be responsible for the conduct of the Transmission Business and any external transmission activities.
2. The Managing Director of Transmission may be a director:
 - (a) of the transmission licensee; or
 - (b) in the circumstances set out in paragraph 12 of this condition only, of the licensee and of an affiliate or related undertaking of the licensee which holds a distribution licence or a holding company only engaged in ownership or management of distribution or Transmission Businesses or both;

provided that the licensee shall ensure that the Managing Director of Transmission shall not be a director of any other affiliate or related undertaking of the licensee and that he shall not be engaged by the licensee in any other capacity than as Managing Director of Transmission.

3. The licensee shall arrange for the Managing Director of Transmission in the course of discharging his responsibility under paragraph 1 of this condition to be provided from time to time with:
 - (a) the services of such persons (as the Managing Director of Transmission may from time to time select), whose services:
 - (i) may be dispensed with at the sole discretion (subject to compliance with relevant UK employment legislation) of the Managing Director of Transmission; and
 - (ii) will only be utilised if such persons execute a contract of or for services containing an appropriate confidentiality clause regarding that information which may be acquired by such person whilst working for the Transmission Business and any external transmission activities;
 - (b) such premises, systems, equipment, facilities, property, personnel, data and management resources; and
 - (c) such finance;

as may be reasonably required by the Managing Director of Transmission for the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and the transmission licence.

4. The licensee shall direct the Managing Director of Transmission:
 - (a) to inform the directors of the licensee, in writing, if, at any time, he is of the opinion that the provision of those items specified in paragraph 3 of this condition are not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and the transmission licence; and
 - (b) as soon as practicable after the end of the year 2001 and of each subsequent calendar year, to furnish to the directors of the licensee:
 - (i) an informative report on the provision of those matters made in respect of that year; and
 - (ii) a statement of his opinion whether adequate arrangements have been or are likely to be made for the provision of those matters which will be required in respect of the ensuing calendar year to enable the licensee to comply with those duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.
5. On receipt of any information under paragraph 4(a) of this condition or report and statement under paragraph 4(b), the licensee shall, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:
 - (a) give to the Authority forthwith that information or report and statement; and
 - (b) where such a report is received, publish it in such form and manner as the Authority may direct.
6. Except insofar as the Authority consents to the licensee doing so, the licensee shall only give directions to the Managing Director of Transmission as to the discharge of his responsibilities under paragraph 1 of this condition:
 - (a) where:
 - (i) in the bona fide and reasonable opinion of the licensee the statutory, licence and contractual obligations of the licensee; or
 - (ii) in the bona fide opinion of the directors, their duties; so require; or
 - (b) to ensure compliance with paragraph 4.
7. The licensee shall give directions under sub- paragraph 6(a) of this condition by notice in writing, specifying in the notice the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give directions, which notice shall be copied to the Authority.
8. Except insofar as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraph 9 below, ensure that:
 - (a) no business of the licensee (or of any affiliate or related undertaking of the licensee), other than the Transmission Business or any external transmission activities, may use or have access to:

- (i) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities;
 - (ii) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities also have access;
 - (iii) equipment, facilities or property employed for the management or operation of the Transmission Business or any external transmission activities; or
 - (iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities; and
- (b) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any affiliate or related undertaking of the licensee) until the expiry of an appropriate time from the date on which he ceased to be engaged by the Transmission Business.

9. The Authority may, upon the written request of the licensee, issue a direction relieving the licensee of its obligations under Special Condition 2B (Restriction on use of certain information) and under paragraphs 1(a), 2 and 8 of this condition, to such extent and subject to such terms and conditions as he may specify in that direction, where:

- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
- (b) in the case of paragraphs 2 to 4 of Special Condition 2B (Restriction on use of certain information), a failure to comply with any aspect of those obligations would be of a trivial nature; or
- (c) in the case of paragraphs 1(a) and 8 of this condition, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any affiliate or related undertaking of the licensee):
 - (i) do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
 - (ii) obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
 - (iii) do not restrict, distort or prevent competition in the generation or supply of electricity,

provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive ~~96/92/EC~~ [2009/72/EC as modified by the Act](#).

10. Where, subsequent to the issue of a direction pursuant to paragraph 9 of this condition, the criteria set out at sub-paragraphs 9(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify any terms and conditions which may be specified in it.

11. For the purposes of paragraphs 9 and 10 of this condition the Authority shall, following consultation with the licensee, determine any question as to whether the criteria set out at subparagraphs 9(a), (b) or (c) are or continue to be satisfied.
12. If the Authority is requested to issue any direction pursuant to paragraph 9 of this condition relating to the Transmission Business being managed or operated by the licensee together with any distribution business then that direction may provide that for the purposes of this condition and of Special Condition 2B (Restriction on use of certain information) the Transmission Business shall be taken to include any such distribution business and for the Managing Director of Transmission to take part in the management of and/or to be a :director of any company carrying on any such distribution business.

13. In this condition

"appropriate time"	means 3 months, or such shorter period as the Authority may approve in respect of any person or class of persons.
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"external transmission activities"	means any business of the licensee or any affiliate or related undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National Electricity Transmission System other than the licensee's Transmission System.
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Annex 4.5.a. Scottish Power Plc Electricity Transmission Special Conditions Change Marked Licence Text

Special Condition 1A. Definitions and Interpretation

Definitions in alphabetical order

1A.5 In the Special Conditions, unless the context otherwise requires:

“Competent Authority”	means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European <u>Union</u> Community .
“Exceptional Event”	for the purposes of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes (without limitation) an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 7 faults being recorded by the licensee on the licensee’s Transmission System in any 24 hour period, governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a Court of Competent Authority or the European Commission or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.

Special Condition 2B. Restriction on the use of certain information

1. Any information relating to or deriving from the management or operation of the Transmission Business shall, for the purposes of this condition, be treated as confidential information.
2. The licensee shall not (and shall procure that its affiliates and related undertakings shall not) disclose or authorise access to confidential information:

- (a) save to the extent provided by sub-paragraphs 3(b) to (d), to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of any other business (whether or not a separate business) of the licensee; or
- (b) save to the extent permitted by paragraph 3, to any other person.

3. Subject to paragraphs 9 to 12 of Special Condition 2I (Independence of and appointment of managing director of the Transmission Business), the licensee shall (and shall procure that its affiliates and related undertakings shall) disclose or authorise access to confidential information only:

- (a) in the following circumstances, namely;
 - (i) to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities and require access to the information for that purpose;
 - (ii) to personnel of any holder of a distribution licence or a transmission licence holder engaged in the external distribution activities of that distribution licence holder, or the external transmission activities of that transmission licence holder (as the case may be), to the extent necessary for the performance by such personnel of those external distribution activities, or those external transmission activities (as the case may be), and the use by such personnel of that information for that purpose;

provided that effective arrangements are maintained in place at all times for ensuring that no further disclosure of any information supplied or obtained pursuant to this paragraph is made and that such information is used only for the purpose of the Transmission Business or any external transmission activities of the licensee;

- (b) where the licensee (or any affiliate or related undertaking of the licensee) is required or permitted to disclose such information by virtue of:
 - (i) any requirement of a competent authority;
 - (ii) the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which it is required by virtue of the Act or that licence to comply;
 - (iii) any other requirement of law; or
 - (iv) the rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;
- (c) where such information was provided by or relates to any person who has notified (or otherwise agreed with) the licensee that it need not be treated as confidential;
- (d) where such information, not being information provided by or relating to any person other than the licensee, is placed by the licensee in the public domain; or
- (e) where such information is required for the purposes of assisting other transmission licence holders, including National Grid Company plc in the capacity of the party who has been identified by the Minister for Energy as the party whose application to be GB System Operator the government is minded to accept, to prepare for and plan and develop the operation of a GB transmission system and such other matters as will

facilitate the implementation of new arrangements relating to the trading and transmission of electricity in Great Britain designed –

- (i) to promote the creation of a single competitive wholesale electricity trading market; and
- (ii) to introduce a single set of arrangements for access to and use of any Transmission System in Great Britain,

and in each case the licensee shall disclose or authorise access to the confidential information only insofar as is necessary or appropriate in all the circumstances.

4. Subject to paragraphs 9 to 12 of Special Condition 2I (Independence of and appointment of managing director of the Transmission Business), the licensee shall use all reasonable endeavours to ensure that any person who is in possession of or has access to confidential information in accordance with sub-paragraph 3(a) shall use such information only for the purposes of the Transmission Business or any external transmission activities.

5. In this condition

~~"competent authority"~~

~~means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, the United States of America or the European Community.~~

"confidential information"

bears the meaning given at paragraph 1.

"Electricity Arbitration Association"

means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.

"external distribution activities"

means any business of the licensee or any affiliate or related undertaking comprising or ancillary to the maintenance, repair or operation of, or other activities in connection with any electricity distribution or Transmission System other than the licensee's

distribution system ("an external distribution system").

"external transmission activities"

has the meaning given to that term in Special Condition 2I (Independence of and appointment of managing director of the Transmission Business) of this part of this licence.

Special Condition 2I. Independence of and appointment of managing director of the Transmission Business

1.
 - (a) The licensee shall establish and shall thereafter maintain the full managerial and operational independence of the Transmission Business and any external transmission activities from each other business (whether or not a separate business) of the licensee and of its affiliates and related undertakings.
 - (b) The licensee shall appoint an officer (hereafter referred to as "the Managing Director of Transmission") to be responsible for the conduct of the Transmission Business and any external transmission activities.
2. The Managing Director of Transmission may be a director:
 - (a) of the transmission licensee; or
 - (b) in the circumstances set out in paragraph 12 of this condition only, of the licensee and of an affiliate or related undertaking of the licensee which holds a distribution licence or a holding company only engaged in ownership or management of distribution or Transmission Businesses or both;

provided that the licensee shall ensure that the Managing Director of Transmission shall not be a director of any other affiliate or related undertaking of the licensee and that he shall not be engaged by the licensee in any other capacity than as Managing Director of Transmission.

3. The licensee shall arrange for the Managing Director of Transmission in the course of discharging his responsibility under paragraph 1 of this condition to be provided from time to time with:
 - (a) the services of such persons (as the Managing Director of Transmission may from time to time select), whose services:
 - (i) may be dispensed with at the sole discretion (subject to compliance with relevant UK employment legislation) of the Managing Director of Transmission; and
 - (ii) will only be utilised if such persons execute a contract of or for services containing an appropriate confidentiality clause regarding that information which may be acquired by such person whilst working for the Transmission Business and any external transmission activities;

- (b) such premises, systems, equipment, facilities, property, personnel, data and management resources; and
- (c) such finance;

as may be reasonably required by the Managing Director of Transmission for the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and the transmission licence.

4. The licensee shall direct the Managing Director of Transmission:

- (a) to inform the directors of the licensee, in writing, if, at any time, he is of the opinion that the provision of those items specified in paragraph 3 of this condition are not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and the transmission licence; and
- (b) as soon as practicable after the end of the year 2001 and of each subsequent calendar year, to furnish to the directors of the licensee:
 - (i) an informative report on the provision of those matters made in respect of that year; and
 - (ii) a statement of his opinion whether adequate arrangements have been or are likely to be made for the provision of those matters which will be required in respect of the ensuing calendar year to enable the licensee to comply with those duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.

5. On receipt of any information under paragraph 4(a) of this condition or report and statement under paragraph 4(b), the licensee shall, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:

- (a) give to the Authority forthwith that information or report and statement; and
- (b) where such a report is received, publish it in such form and manner as the Authority may direct.

6. Except insofar as the Authority consents to the licensee doing so, the licensee shall only give directions to the Managing Director of Transmission as to the discharge of his responsibilities under paragraph 1 of this condition:

- (a) where:
 - (i) in the bona fide and reasonable opinion of the licensee the statutory, licence and contractual obligations of the licensee; or
 - (ii) in the bona fide opinion of the directors, their duties; so require; or
- (b) to ensure compliance with paragraph 4.

7. The licensee shall give directions under sub- paragraph 6(a) of this condition by notice in writing, specifying in the notice the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give directions, which notice shall be copied to the Authority.
8. Except insofar as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraph 9 below, ensure that:
- (a) no business of the licensee (or of any affiliate or related undertaking of the licensee), other than the Transmission Business or any external transmission activities, may use or have access to:
 - (i) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities;
 - (ii) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities also have access;
 - (iii) equipment, facilities or property employed for the management or operation of the Transmission Business or any external transmission activities; or
 - (iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any external transmission activities; and
 - (b) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any affiliate or related undertaking of the licensee) until the expiry of an appropriate time from the date on which he ceased to be engaged by the Transmission Business.
9. The Authority may, upon the written request of the licensee, issue a direction relieving the licensee of its obligations under Special Condition 2B (Restriction on use of certain information) and under paragraphs 1(a), 2 and 8 of this condition, to such extent and subject to such terms and conditions as he may specify in that direction, where:
- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
 - (b) in the case of paragraphs 2 to 4 of Special Condition 2B (Restriction on use of certain information), a failure to comply with any aspect of those obligations would be of a trivial nature; or
 - (c) in the case of paragraphs 1(a) and 8 of this condition, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any affiliate or related undertaking of the licensee):

- (i) do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
- (ii) obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
- (iii) do not restrict, distort or prevent competition in the generation or supply of electricity,

provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive ~~96/92/EC~~ [2009/72/EC as modified by the Act](#).

10. Where, subsequent to the issue of a direction pursuant to paragraph 9 of this condition, the criteria set out at sub-paragraphs 9(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify any terms and conditions which may be specified in it.
11. For the purposes of paragraphs 9 and 10 of this condition the Authority shall, following consultation with the licensee, determine any question as to whether the criteria set out at sub-paragraphs 9(a), (b) or (c) are or continue to be satisfied.
12. If the Authority is requested to issue any direction pursuant to paragraph 9 of this condition relating to the Transmission Business being managed or operated by the licensee together with any distribution business then that direction may provide that for the purposes of this condition and of Special Condition 2B (Restriction on use of certain information) the Transmission Business shall be taken to include any such distribution business and for the Managing Director of Transmission to take part in the management of and/or to be a director of any company carrying on any such distribution business.
13. In this condition

"appropriate time"	means 3 months, or such shorter period as the Authority may approve in respect of any person or class of persons.
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"external transmission activities"	means any business of the licensee or any affiliate or related undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National Electricity Transmission System other than the licensee's Transmission System.
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