

To: Scottish Hydro Electric Transmission plc

Notice under Part E of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMREt and EPIt)) of the Electricity Transmission Licence to add Enhancing Pre-existing Infrastructure Projects ("the Notice")

1. Scottish Hydro Electric Transmission plc ("**the Licensee**") is the holder of an Electricity Transmission Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. Special Condition (SC) 3.10.15 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMREt and EPIt)) of the Electricity Transmission Licence specifies the circumstances in which the Gas and Electricity Markets Authority (the 'Authority')¹, by way of direction, can add the Enhancing Pre-existing Infrastructure Projects that the licensee has submitted to the Authority prior to the start of the Price Control Period and for which no Price Control Period allowance has been provided.
3. Part H of SC 3.10 sets out the process the Authority will follow making a direction under SC 3.10.15.
4. In accordance with SC 3.10.21 the Authority hereby gives notice to the Licensee and interested parties that it proposes to modify Appendix 3 of SC 3.10 in the manner indicated in Schedule 1 to this Notice.
5. We have set out our reasons for the modifications in our determination letter dated 30 April 2021 which is published alongside this Notice². In summary, the purpose of the modifications is to add the Killin mitigation project to Appendix 3, specify the deliverables of the Killin mitigation project that the Licensee is required to deliver, and to specify the associated EPI values.
6. We propose to further adjust the main contract price for changes in the metal price and exchange rate indices³ that have occurred in the period between the contractors submitting their final price, and the Licensee awarding the contract. We propose that this adjustment be reflected in the allowed expenditure that is directed following the 28-day notice period to implement our determination.
7. The effect of the proposed modifications has been set out in our determination letter, which accompanies this Notice. In summary, the effect of these Electricity Transmission Licence modifications are to increase the Licensee's allowances under the RIIO-2 Electricity Transmission price control by £20.310 million (2018/19 prices).

¹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² <https://www.ofgem.gov.uk/publications-and-updates/decision-scottish-hydro-electric-transmission-s-visual-impact-mitigation-project-loch-lomond-and-trossachs-national-park>

³ The indices to be used to adjust the contract price are: Metals: London Metal Exchange <https://www.lme.com> and Forex: Bank of England <https://www.bankofengland.co.uk/statistics/exchange-rates>

8. The proposed modifications are set out in Schedule 1 to this Notice. A copy of the proposed modifications and other documents referred to in this Notice are also published on our website (www.ofgem.gov.uk).
9. We propose that the direction should take effect on 25 June 2021.
10. Any representations with respect to the proposed licence modifications must be made on or before 28 May 2021 to: Saffron Shemsin, Saffron.Shemsin@Ofgem.gov.uk.
11. All representations will normally be published on our website. However, if you do not wish your response to be made public, then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be published easily on our website.

Min Zhu
Deputy Director - RIIO Transmission

Duly authorized on behalf of the Gas and Electricity Markets Authority

April 2021

Schedule 1: Proposed modifications to Special Condition 3.10 of Scottish Hydro Electric Transmission plc’s electricity transmission licence

The proposed modification will add a new row to the first table in Appendix 3, as follows:

Enhancing Pre-existing Infrastructure Project Allowance

Project name and Designated Area	Allowance £m					All years
	21/22	22/23	23/24	24/25	25/26	
<u>Killin Mitigation Project, The Loch Lomond, and the Trossachs National Park</u>	18.073	2.858				20.310

The proposed modification will add a new row to the second table in Appendix 3, as follows:

Project name	Description of project	Delivery date
<u>Killin Mitigation Project</u>	<ul style="list-style-type: none"> Remove <u>7.8km of OHL and 32 steel lattice towers between Killin substation to Lix Toll and install two 4.5km underground cables.</u> Install two <u>air-insulated outdoor sealing ends by existing towers to connect the new section of underground cables to the existing overhead lines.</u> 	<u>April 2024</u>