

**To: Scottish Hydro Electric Transmission plc
SP Transmission plc
National Grid Electricity Transmission plc**

**Electricity Act 1989
Section 11A(1)(a)**

Modification of the financial instruments as defined in the special conditions of the electricity transmission licence held by the above licensees

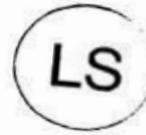
1. The above licencees are the holders of electricity transmission licences ('the Licences') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 4 July 2017 ('the Notice') that we propose to modify the RIIO-ET1 Price Control Financial Model as defined under Special Condition 5A of the Licences. We stated that any representations to the modification proposal must be made on or before 1 August 2017.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response to the Notice relevant to this modification, which we carefully considered. We have placed the response on our website.
5. The effect of the modification will be to implement our decision to accept National Grid Electricity Transmission's offer to defer voluntarily a total of £480m of its allowances with respect to non-variant load and asset replacement expenditures.
6. 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 CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. However, in this case since the modification relates to a special licence condition, the relevant licence holder is the holder of that particular licence. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'."
7. Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the RIIO-ET1 Price Control Financial Model as defined under Special Condition 5A of the electricity transmission licences of the above licencees in the manner specified in the attached Schedule 1. This decision will take effect from 29 September 2017.
8. This document is notice of the reasons for the decision to modify the electricity transmission licences held by the above licensees as required by section 49A(2) of the Act.

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

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**

G Randall



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Geoffrey Randall
Associate Partner, RIIO Networks
Duly authorised on behalf of the Gas and Electricity Markets Authority
04 August 2017

Schedule 1 – Updated Price Control Financial Model

The updated PCFM incorporating the voluntary deferral modification is available on our website at the following address:

<https://www.ofgem.gov.uk/network-regulation-riio-model/price-controls-financial-model-pcfm/riio-t1-financial-model-electric>