

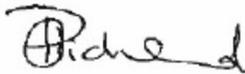
Notice under section 7A(9) of the Electricity Act 1989 (as amended) of the proposed partial transfer of the electricity transmission licence held by National Grid Electricity Transmission Plc to National Grid Electricity System Operator Limited

The Gas and Electricity Markets Authority ('the Authority')¹ hereby gives notice pursuant to Section 7A(9) of the Electricity Act 1989 (as amended) ('the Act') as follows:

1. National Grid Electricity Transmission Plc (NGET) (company registration number 02366977) with its registered office at 1-3 Strand, London, WC2N 5EH, has written to us seeking the Authority's consent in accordance with the provisions of section 7A of the Act to a partial transfer of the electricity transmission licence granted or treated as granted to NGET ('Licence') to National Grid Electricity System Operator Limited (NGESO) (company registration number 11014226), the registered office of which is at 1-3 Strand, London, WC2N 5EH.
2. The Authority proposes to consent to the proposed partial Licence transfer, such consent being subject to the conditions noted in para 3 below, for the following reasons:
 - a. NGET has applied to the Authority under Section 7A of the Act for the Authority's consent to the partial transfer of the Licence to NGESO; and
 - b. The Authority is satisfied that it would have been appropriate to (a) grant NGESO a licence under section 6(1)(b) of the Act to participate in the transmission of electricity ("electricity transmission licence") corresponding to so much of the licence as is proposed to be transferred had NGESO applied to the Authority for such a licence; and (b) to grant NGET an electricity transmission licence corresponding to so much of the licence as is proposed to be retained.
3. In accordance with the provisions of sections 7A(1) to (5) of the Act, we propose to consent, to NGET's request to transfer part of its Licence to NGESO subject to the following conditions:
 - a. The Standard and Special Conditions of the Licence held by NGET and the Standard and Special Conditions of the electricity transmission licence to be transferred to NGESO are modified as outlined in the Schedule and Annexes to this Notice;
 - b. NGET's existing relevant derogations granted by the Authority in accordance with the Licence and which are in effect immediately prior to the date of the partial transfer of the licence conditions under which they were granted, will continue to have effect as if they had been granted to NGESO under the relevant conditions being transferred to NGESO;
 - c. NGET's existing relevant consents granted by the Authority in accordance with the existing NGET Licence are, where relevant, to be appropriately granted in favour of NGESO;
 - d. NGESO attains certification by the Authority that it complies with the European Commission's ownership unbundling requirements as required by section 10D of the Act; and

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

- e. Appropriate modifications are made to the GB electricity industry codes to reflect the new arrangements resulting from the partial transfer of NGET's Licence to the NGESO who will take over NGET's existing system operator functions under the partial transfer.
4. The Authority has set out in more detail its consideration of the proposed partial electricity transmission licence transfer in a consultation document dated 01 December 2017 and an associated update letter dated 14 March 2018.² These publications included indicative drafting of the proposed modifications that are to be effected.
 5. Any representations or objections in relation to the proposal by the Authority to grant consent to the proposed partial Licence transfer should be made in writing no later than 24 July 2018 to the Authority, either:
 - a. by post to: Grendon Thompson, Office of Gas and Electricity Markets, Energy Systems Transition Team, 10 South Colonnade, London, E14 4PU; or
 - b. by email to: electricitySOreform@ofgem.gov.uk



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Philippa Pickford, Associate Director, Energy Systems Transition
Duly authorised on behalf of the
Gas and Electricity Markets Authority

24 May 2018

² Future Arrangements for the Electricity System Operator: Informal Consultation on ESO Licence Drafting (01 December 2017), <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-informal-consultation-eso-licence-drafting> and Industry update following our Future Arrangements for the Electricity System Operator: Informal Consultation on ESO Licence Drafting (14 March 2018), <https://www.ofgem.gov.uk/publications-and-updates/industry-update-following-our-future-arrangements-electricity-system-operator-informal-consultation-eso-licence-drafting>

Schedule

Summary of modifications to Standard and Special Conditions of the electricity transmission licence held by NGET

The Authority proposes to modify Standard and Special Conditions of the electricity transmission licence held by NGET granted or treated as granted under section 6(1)(b) of the Act by amending the following conditions in accordance with section 7A(4) of the Act unless indicated otherwise. The table below indicates whether amendments are proposed to be made to the retained conditions in NGET's licence and/or to the transferred conditions in NGESO's new licence. The proposed modifications to the licence text can be found in the Annexes to this Notice.

	NGET licence conditions	NGESO licence conditions
Chapter 1		
Special 1A - Definitions and Interpretations	Proposed amendments	Transfer with proposed amendments
Special 1B - Transmission Area	Retain with no change	Not transferred/used
Special 1C - Amended Standard Conditions	Proposed amendments	Transferred with proposed amendments
Chapter 2		
Special 2A - Activities Restrictions	Retain with no modification	Not transferred/used
Special 2B - Restriction on the Use of Information	Proposed removal	Not transferred/used
Special 2C - Prohibited Activities and Conduct of Transmission Business	Proposed amendments	Transfer with proposed amendments
Special 2D	Not used (no modification proposed)	Not used (no modification proposed)
Special 2E	Not used (no modification proposed)	Not used (no modification proposed)
Special 2F - Role in Respect of the National Electricity Transmission System Operator Area located in Offshore Waters	Proposed removal	Transfer with proposed amendments
Special 2G - Prohibition on Engaging in Preferential or Discriminatory Behaviour	Proposed removal	Transfer with proposed amendments

Special 2H -Appointment of Compliance Officer	Proposed removal	Not transferred/used
Special 2I	Not used (no modification proposed)	Not used (no modification proposed)
Special 2J - Network Access Policy	Proposed amendments	Transfer with proposed amendments
Special 2K - Transmission Losses	Retain with no modification	Not transferred/used
Special 2L - Methodology for Network Output Measures	Retain with no modification	Not transferred/used
Special 2M - Specification of Network Replacement Outputs	Retain with no modification	Not transferred/used
Special 2N - (NGESO) Electricity Market Reform / (NGET) Provision of Information to System Operator	Proposed amendments	Transfer with proposed amendments
Special 2O - Business separation requirement and compliance obligations and conduct of the System Operator in performing its Relevant System Planning Activities.	Proposed amendments	Transfer with proposed amendments
Chapter 3		
Special 3A - Restriction of Transmission Network Revenue	Proposed amendments	Transfer with proposed amendments
Special 3B Calculation of allowed Pass-Through Items	Proposed amendments	Transfer with proposed amendments
Special 3C - Reliability Incentive Adjustment in Respect of Energy Not Supplied	Retain with no modification	Not transferred/used
Special 3D - Stakeholder Satisfaction Output	Retain with no modification	Not transferred/used
Special 3E - Incentive in Respect of Sulphur Hexafluoride Gas Emissions	Retain with no modification	Not transferred/used

Special 3F - Adjustment in Respect of the Environmental Discretionary Reward Scheme	Retain with no modification	Not transferred/used
Special 3G - Financial Incentive for Timely Connections Output	Not used (no modification proposed)	Not used (no modification proposed)
Special 3H - The Network Innovation Allowance	Proposed amendments	Transfer with proposed amendments
Special 3I - The Network Innovation Competition	Proposed amendments	Transfer without amendment
Special 3J - Transmission Investment for Renewable Generation	Retain with no modification	Not transferred/used
Special 3K - Allowances in Respect of a Security Period	Proposed amendments	Transfer with proposed amendments
Special 3L - Pre-construction Engineering Outputs for prospective Strategic Wider Works	Retain with no modification	Not transferred/used
Chapter 4		
All Special Conditions in Chapter 4	Proposed removal	Transfer with proposed minor amendments (eg references to NGET updated to refer to NGESO)
Chapter 5		
Special 5A - Governance of ET1 Price Control Financial Instruments	Proposed amendments	Transfer with proposed amendments
Special 5B - Annual Iteration Process for the ET1 Price Control Financial Model	Proposed amendments	Transfer with proposed amendments
Chapter 6		
Special 6A - Legacy Price Control Adjustments (Transmission Owner)	Retain with no modification	Not transferred/used
Special 6B - Supplementary provisions in relation to transmission asset owner incentives scheme activity in the legacy period	Retain with no modification	Not transferred/used

Special 6C - Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments - Transmission Owner	Retain with no modification	Not transferred/used
Special 6D - Specified financial adjustments - Transmission Owner	Retain with no modification	Not transferred/used
Special 6E - The Innovation Roll-Out Mechanism	Retain with no modification	Not transferred/used
Special 6F - Baseline Generation Connections Outputs and Generation Connections volume driver	Retain with no modification	Not transferred/used
Special 6G - Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas	Proposed amendments	Not transferred/used
Special 6H - Arrangements for the recovery of uncertain costs	Retain with no modification	Not transferred/used
Special 6I - Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure	Proposed amendments	Not transferred/used
Special 6J - Allowed Expenditure for Incremental Wider Works	Proposed amendments	Not transferred/used
Special 6K - Allowed Expenditure for meeting planning requirements and volume driver	Retain with no modification	Not transferred/used
Special 6L - Baseline Demand Related Infrastructure Outputs and Allowed Expenditure volume driver	Proposed amendments	Not transferred/used
Chapter 7		
All Special Conditions in Chapter 7	Proposed removal	Transfer with proposed minor amendments (eg references to NGET updated to refer to NGESO)
Chapter 8		

Special 8A - Disapplication of Relevant Special Conditions	Proposed amendments	Transfer with proposed amendments
Special 8B - Services treated as Excluded Services	Proposed amendments	Transfer with proposed amendments
Special 8C	Proposed amendments	Not transferred/used
Chapter 9		
All Schedules in Chapter 9	Proposed removal	Not transferred/used

Annexes

The following annexes are attached to this notice:

- Annex A: NGET Special Licence Conditions proposed modifications
- Annex B: NGET Standard Licence Conditions proposed modifications
- Annex C: NGET Part I Terms of the Licence
- Annex D: NGET Part II The Standard Conditions
- Annex E: NGET Schedules

- Annex F: NGESO Special Licence Conditions proposed modifications
- Annex G: NGESO Standard Licence Conditions proposed modifications
- Annex H: NGESO Part I Terms of the Licence
- Annex I: NGESO Part II The Standard Conditions
- Annex J: NGESO Schedules