

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

**Electricity Act 1989  
Section 11A(2)**

**Notice of statutory consultation on proposed modifications to the ET1 Price Control Financial Model to revise National Grid Electricity Transmission's allowances with respect to the separation of the Electricity System Operator**

1. The Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> proposes to modify the financial instruments as defined in the special conditions of the electricity transmission licence held by the above specified licencees granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending the ET1 Price Control Financial Model as defined under Special Condition 5A.
2. We are proposing these modifications to incorporate in the financial model the appropriate level of costs, for National Grid Electricity Transmission (NGET), of implementing the Electricity System Operator (ESO) separation, as set out in the notice<sup>2</sup> we published on 10<sup>th</sup> August 2018. The proposed modifications will increase revenue allowances from 2019/20 onwards.
3. The effect of the proposed modifications is to increase NGET SO's totex allowance by a total of £55.0 million (in real 2009/10 prices) over the years 2016/17 to 2020/21.
4. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Alternatively they are available from [foi@ofgem.gov.uk](mailto:foi@ofgem.gov.uk).
5. Any representations with respect to the proposed licence modifications must be made on or before 20<sup>th</sup> September 2018 to: Valerio Uccello, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to [valerio.uccello@ofgem.gov.uk](mailto:valerio.uccello@ofgem.gov.uk).
6. We normally publish all responses 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 However, if you do not wish your response to be made public, then please clearly mark it as not for publication.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 placed easily on our website.
7. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

**Geoffrey Randall**



.....  
**Deputy Director, Network Price Controls  
Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**23 August 2018**

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

<sup>2</sup> Notice on National Grid's allowances for the costs of implementing Electricity System Operator Separation <https://www.ofgem.gov.uk/publications-and-updates/notice-national-grid-s-allowances-costs-implementing-electricity-system-operator-separation>