

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

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

**Modification of Special Condition 2M of the electricity transmission licences held
by the licensees listed above**

1. The licensees listed above are the holders of an electricity transmission licence ('the Licence') granted or treated as granted under section 6(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 26 August 2020 ('the Notice') that we propose to modify Special Condition 2M: Specification of Network Replacement Outputs ('SpC 2M') of the Licence. We stated that any representations to the modification proposal must be made on or before 24 September 2020.
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 two responses to the Notice, which we carefully considered. We have placed both non-confidential responses on our website. Our response to these comments is set out at the accompanying letter.
5. We are making these licence changes in order to replace the current volume-based Network Replacement Outputs of each of the licensees listed above with rebased monetised risk targets, as proposed in our Electricity Transmission Network Output Measures Rebasing Consultation.
6. The effect of the modification(s) will be to substitute in Table 1 in Part A of SpC 2M the Network Replacement Outputs each of the licensees listed above must deliver during the RIIO-1² price control period with equivalent rebased monetised risk targets, as presented in Schedule 1.
7. 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 Rules³ 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 attached Schedule 2 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'.

Under the powers set out in section section 11A(1)(a) of the Act, we hereby modify Special Condition 2M of the electricity transmission licence of the licensees listed above in the

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

² RIIO (Revenue = Incentives + Innovation + Outputs) introduced in October 2010 by Ofgem is an outputs-led price control framework. The RIIO price control for the electricity transmission sector (RIIO-ET1) runs from 1 April 2013 until 31 March 2021.

³ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

manner specified in attached Schedule 1. This decision will take effect from 29 January 2021.

This document is notice of the reasons for the decision to modify the electricity transmission licence held by the licensees listed above as required by section 49A(2) of the Act.

Min Zhu
Deputy Director, Systems & Networks
Duly authorised on behalf of the
Gas and Electricity Markets Authority

3 December 2020

Schedule 1: Modifications to SpC 2M of the electricity transmission licence held by National Grid Electricity Transmission plc

The modifications would replace the values and headings in Table 1 in Part A of SpC 2M (Specification of Network Replacement Outputs).

Part A: Obligation to deliver Network Replacement Outputs

Table 1: Network Replacement Outputs

Asset categories		Units <u>Monetised</u> <u>Risk</u>	Asset distribution based on Replacement Priority at 31 March 2021 <u>Distribution of risk remaining on the network based on Replacement Priority by 31 March 2021</u>			
			Replacement Priority (where RP1 is highest risk category)			
			RP1	RP2	RP3	RP4
400KV Network						
1	Circuit Breaker	Units R£m	6 <u>1.625</u>	6 <u>0.679</u>	7 =	1148 <u>3.631</u>
2	Transformer	Units R£m	13 <u>15.759</u>	9 <u>7.964</u>	31 <u>5.838</u>	358 <u>74.947</u>
3	Reactors	Units R£m	3 <u>1.157</u>	3 =	2 =	14 <u>0.934</u>
4	Underground Cable	Km R£m	7.1 <u>11.640</u>	0.0 <u>0.886</u>	10.5 <u>0.634</u>	283.1 <u>1.293</u>
5	OHL conductor	Km R£m	1531 <u>225.100</u>	1152 <u>141.836</u>	945 <u>0.526</u>	7192 <u>10.625</u>
6	OHL fittings	Km R£m	1542 <u>75.314</u>	568 <u>66.250</u>	913 =	7800 <u>10.248</u>
275KV Network						
1	Circuit Breaker	Units R£m	21 <u>22.557</u>	44 <u>2.570</u>	62 =	466 <u>7.706</u>
2	Transformer	Units R£m	25 <u>13.364</u>	20 <u>8.083</u>	52 <u>3.725</u>	262 <u>54.162</u>
3	Reactors	Units R£m	3 <u>4.256</u>	4 <u>0.514</u>	1 =	12 <u>1.616</u>
4	Underground Cable	Km R£m	79.2 <u>24.889</u>	4.3 <u>6.236</u>	85.5 =	152.0 <u>2.280</u>
5	OHL conductor	Km R£m	102 <u>29.915</u>	343 <u>14.356</u>	189 <u>1.359</u>	2402 <u>1.668</u>
6	OHL fittings	Km R£m	132 <u>16.487</u>	357 <u>11.914</u>	224 =	2333 <u>2.071</u>
132KV Network						
1	Circuit Breaker	Units R£m	46 <u>77.852</u>	84 <u>15.019</u>	60 <u>0.138</u>	975 <u>8.249</u>
2	Transformer	Units R£m	0 <u>1.139</u>	2 <u>5.243</u>	1 =	6 <u>1.172</u>
3	Reactors	Units R£	32 <u>4.674</u>	27 <u>0.505</u>	7 =	37 <u>8.414</u>
4	Underground Cable	Km R£m	0.0 =	1.5 =	2.6 =	14.5 <u>0.075</u>
5	OHL conductor	Km R£m	75 <u>5.632</u>	54 <u>2.606</u>	37 =	120 <u>0.151</u>
6	OHL fittings	Km R£m	79 <u>2.879</u>	67 <u>9.768</u>	0 =	144 <u>0.080</u>

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Modifications to SpC 2M of the electricity transmission licence held by Scottish Hydro Electric Transmission plc

The modifications would replace the values and headings in Table 1 in Part A of Special Condition 2M (Specification of Network Replacement Outputs).

Part A: Obligation to deliver Network Replacement Outputs

Table 1: Network Replacement Outputs

Asset categories		Units Monetised Risk	Asset distribution based on Replacement Priority at 31 March 2021 <u>Distribution of risk remaining on the network based on Replacement Priority by 31 March 2021</u>			
			Replacement Priority (where RP1 is highest risk category)			
			RP1	RP2	RP3	RP4
400KV Network						
1	Circuit Breaker	Units R£m	0 =	0 =	0 =	0 =
2	Transformer	Units R£m	0 =	0 =	0 =	0 =
3	Reactors	Units R£m	0 =	0 =	0 =	0 =
4	Underground Cable	Km R£m	0 =	0 =	0 =	0 =
5	OHL conductor	Km R£m	0 =	0 =	0 =	0 =
6	OHL fittings	Km R£m	0 =	0 =	0 =	0 =
7	OHL towers	Units R£m	0 =	0 =	0 =	0 =
275KV Network						
1	Circuit Breaker	Units R£m	1 3.959	0 9.495	0 4.097	81 13.927
2	Transformer	Units R£m	10 =	0 2.094	0 0.632	16 7.552
3	Reactors	Units R£m	0 4.991	0 2.978	0 0.429	7 =
4	Underground Cable	Km R£m	0.0 =	0.0 =	0.0 =	4.3 0.076
5	OHL conductor	Km R£m	0 =	0 0.118	0 0.383	1649 9.088
6	OHL fittings	Km R£m	0 =	0 =	0 =	1649 13.388
7	OHL towers	Units R£m	0 =	0 =	0 =	2550 83.838
132KV Network						
1	Circuit Breaker	Units R£m	4 31.352	2 12.842	0 5.852	201 59.212
2	Transformer	Units R£m	2 17.944	8 4.110	1 1.602	141 29.172
3	Reactors	Units R£	0 =	0 =	0 =	0 =
4	Underground Cable	Km R£m	0.0 =	0.0 7.549	9.6 =	83.6 3.127
5	OHL conductor	Km R£m	56 54.764	124 1.278	187 15.418	2800 94.648
6	OHL fittings	Km R£m	0 =	0 0.842	0 1.316	3166 271.164
7	OHL towers	Units R£m	0 35.248	0 4.179	0 4.496	8462 353.397

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**Modifications to SpC 2M of the electricity transmission licence held by SP
Transmission plc**

The modifications would replace the values and headings in Table 1 in Part A of Special Condition 2M (Specification of Network Replacement Outputs).

Part A: Obligation to deliver Network Replacement Outputs

Table 1: Network Replacement Outputs

Asset categories		Units Monetised Risk	Asset distribution based on Replacement Priority at 31 March 2021 <u>Distribution of risk remaining on the network based on Replacement Priority by 31 March 2021</u>			
			Replacement Priority (where RP1 is highest risk category)			
			RP1	RP2	RP3	RP4
400KV Network						
1	Circuit Breaker	Units R£m	7 12.209	0 0.682	0 0.943	49 3.330
2	Transformer	Units R£m	2 =	0 3.705	2 0.514	21 4.457
3	Reactors	Units R£m	2 =	0 0.453	0 =	0 0.259
4	Underground Cable	Km R£m	0 =	0 1.331	0 =	13.7 1.296
5	OHL conductor	Km R£m	0 =	317 21.489	64 67.435	518 15.763
6	OHL fittings	Km R£m	0 568.963	102 926.168	160 28.535	637 362.495
7	OHL towers	Units R£m	0 =	241 55.485	416 3.743	1057 21.699
275KV Network						
1	Circuit Breaker	Units R£m	30 5.914	20 2.266	0 0.035	105 4.980
2	Transformer	Units R£m	8 5.658	19 5.764	9 6.551	44 12.164
3	Reactors	Units R£m	5 =	0 0.177	0 0.235	8 0.350
4	Underground Cable	Km R£m	0.0 22.718	0.0 0.381	0.0 =	90.4 4.901
5	OHL conductor	Km R£m	200 40.264	404 4.845	101 5.257	581 17.308
6	OHL fittings	Km R£m	0 638.893	359 202.361	165 7.553	762 123.194
7	OHL towers	Units R£m	0 79.630	281 1.806	55 0.107	1435 62.136
132KV Network						
1	Circuit Breaker	Units R£m	26 5.538	13 1.495	0 =	165 9.840
2	Transformer	Units R£m	26 5.591	25 10.658	12 6.181	80 15.126
3	Reactors	Units R£	0 =	1 =	0 0.304	0 0.198
4	Underground Cable	Km R£m	0.0 =	0.0 12.308	0.0 3.445	160.1 11.405
5	OHL conductor	Km R£m	0 13.759	536 4.308	308 2.010	655 21.096
6	OHL fittings	Km R£m	0 591.294	254 201.350	383 11.773	862 184.955
7	OHL towers	Units R£m	0 113.128	936 7.955	572 1.340	2048 380.736

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Schedule 2: Relevant Licence Holders⁴

National Grid Electricity Transmission Plc
Scottish Hydro Electric Transmission Plc
SP Transmission Plc

⁴ Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>