

ELECTRICITY TRANSMISSION LICENCE

FOR

NATIONAL GRID ELECTRICITY TRANSMISSION plc

(Conformed copy as at 08 April 2021)

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Modification History

Date effective from	Licence Version	Detail	Comments
01.04.05		BETTA TO price control	
01.04.05		DTI changes re Assistance for areas with high electricity distribution costs	
01.04.05		DTI changes for BETTA cutover	
01.04.05		Amendments to incorporate the NGC BETTA SO incentive scheme	
03.03.05		DTI Changes to C18 Schedule 1	
25.02.05		DTI Changes to C18	
26.01.05		Modification in relation to Income Adjusting Events	
01.01.05		Transmission Network Reliability Incentive Scheme	
21.10.04		Definition of "Application Regulations" amended in SC C1	
14.06.05		Part B - B3 para (c) value amended; & other minor amendments	Typos
27.09.05		C20 – Assistance for areas with high distribution costs scheme restriction on revenue. Modification of wording and other minor typing amendments. Front page of the licence changed to National Grid Electricity Transmission.	
04.01.06		Modification of special condition AA5 and insertion of new conditions AA5G, AA5H and Schedule B in order to allow for transmission investment for renewable generation (effective from 15.12.05) Modification of Condition A4 following consultation on licence fee cost recovery principles (effective from 20.12.05)	
24.01.06		Modification of C11 to change the reporting deadline month from March to May.	Ofgem
31.01.06		DTI Modifications to Condition A4 (linked to Ofgem changes re licence fee cost recovery principles).	DTI
13.02.06		Ofgem modification to Standard Condition C17 which revise the transmission performance reporting arrangements.	Ofgem
01.04.05		Amendment to special condition AA5C para 6a to include wording inadvertently omitted from National Grid's conformed copy.	
01.04.06		Amendments to AA5A, AA5E and Schedule B following renewal of internal SO incentives for 2006/7. Amendments to AA5, AA5A, AA5C, AA5E for extension of price control review to March 2007. Amendments (correcting typing error) to numbering under AA5E para 3.	Ofgem Identified by Ofgem.
03.04.06		Insertion of new condition C24 – Energy Administration: GBSO shortfall contribution obligations.	DTI
14.08.06		Modification to conditions A1, B3, C1 and C7 as a result of the introduction of the interconnector licence	Ofgem

Date effective from	Licence Version	Detail	Comments
14.08.06		Modifications to Special Condition A, D, E, F, H and K as a result of the introduction of the interconnector licence	Ofgem
27.09.06		Modification to Standard Licence Conditions C5 and C6.	Ofgem
07.11.06		Modification to paragraph 1 of Special Condition AA5F to define the term P_{t-1}	Ofgem
01.04.07		Modifications to Special Condition AA5, AA5A, AA5C, AA5E and Schedule A to implement SO incentives	Ofgem
01.04.07		Price control review changes. Modifications to Standard Condition A1, Standard Conditions B1,B2, B6, B7, B9, B10 and introduction of new licence conditions B15, B16 and B17.	Ofgem
01.04.07		Removal of Special Conditions C, I, J, L, part 1 of AA5A, AA5B, parts of AA5C, AA5D, AA5F, AA5G, AA5H, Schedules A and B of AA5 Insertion of Special Conditions D1,D2, D3, D4, D5, D6, D7, D8, D9 and D10 Modification of Special Condition H	Ofgem
01.04.07 Directed on 01.05.07		Special Condition AA5 Revenue Restriction Conditions: Definitions – Insertion of pension costs definition Special Condition AA5A, Part 2 (ii) Balancing Services Activity Revenue Restriction on Internal Costs – paragraph 15	Ofgem
1.04.07 Directed 04.07.07		Special Condition AA5A Part 2 (ii) paragraph 15B (Determination of incentive payments on internal operating costs)	
18.07.07 Directed 18.07.07.		Condition C9 Functions of the Authority (para 4)	Ofgem
24.01.08		Condition C13 Deletion of paragraph 5	Ofgem
31.03.08 Directed 31.03.08		Modification of Special Condition D1 (Transmission Network Revenue Restriction: Definitions) and Special Condition D4 (Pass Through Items)	Ofgem
01.04.08 Directed 31.03.08		Modification of Special Conditions AA5A, AA5E and Schedule A	Ofgem
01.07.08 Directed 18.08.08		Modification to Schedule A	Ofgem
Effective From 01.10.08 Directed 01.10.08		Modification of A1, A4 and B1 to reflect abolition of Gas and Electricity Consumer Council (Energywatch) and its replacement with the National Consumer Council.	Ofgem
Effective from 12.03.08 Directed 12.03.09		Modification to C13 following consultation on the discount for small transmission connected generators from 31 May 2009	Ofgem
Effective from 01.04.09 Directed 31.03.09	V3.8	Modification of Condition A4 following direction by the Secretary of State under the Energy Act	

Date effective from	Licence Version	Detail	Comments
Effective from 1.04.09 Directed 31.03.09		Modification of D5 to include enhanced incentives which will enable recovery of expenditure for particular pre-construction activities associated with transmission reinforcement works	
Effective from 01.04.09 Directed 31.03.09		Modification to AA5A following consultation on SO incentives.	
Effective from 01.07.09 Directed 15.06.09	V3.9	Modification of Schedule A, B4(a) to Special Condition AA5 to correct the reference of the power index.	Ofgem
Effective from 24.06.09 (Offshore Transmission Go Active Date) Directed 24.06.09		Addition of new Special Conditions C1, C2 and C3	Ofgem
Effective from 24.06.09 (Offshore Transmission Go Active Date) Directed 16.06.09		Modifications to Special Conditions in respect of Offshore Transmission Go Active; Amendments to Special Conditions D1, D2, D4, D9, B, H, K, M and Schedule 1,	Secretary of State
Effective from 24.06.09 (Offshore Transmission Go Active Date) Directed 16.06.09		Modifications in respect of Offshore Transmission Go Active; Amendments to Standard Conditions A1, B3, B4, B12, B17, C1, C3, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C17 and C24 Addition of new Standard Conditions A5, A6, A7, B18 and C25	Secretary of State
Directed 21.07.09 Effective from 10.06.09	4.0	Modification to Standard Conditions C5 and C6	
Directed 14.08.09 Effective from 14.08.09	4.1	Addition of new Special Condition C4 – Role in respect of the national electricity transmission system operator area located in offshore areas	
Directed 29.09.09 Directed 5.10.09 Effective from 5.10.09	4.2	Modification of Special Condition AA5A to include new paragraphs 15D to 15H to enable NGET to recover historic costs associated with its role as designate offshore SO as well as ongoing costs up until 2012. Modification of Standard Condition C16 to inserting new paragraph 6A and additional definitions in paragraph 15. Introduces a new obligation to establish a system management action flagging methodology and methodology statement	
Directed 10.11.09 Retrospective effect from 01.04.09	4.3	Modification to table in B1(a), Part B of Schedule A to AA5A.	

Date effective from	Licence Version	Detail	Comments
Directed 21.01.10 Retrospective effect from 01.04.09	4.4	Modification to table B1(a) of Part B of Schedule A to AA5A following a material change reported to Ofgem in accordance with para B1 (b) of Part B of Schedule A.	
Directed 08.03.10 Effective from 01.04.10	4.5	Modification to para 1 of Special Condition D4 "Pass Through Items" to amend the definition of ITCt	
Directed 31.03.10 Effective from 01.04.10 Directed 15.04.10 Effective from 01.04.10	4.6	Modification of Special Condition D2 and addition of Special Condition D11 following consultation on transmission asset owner incentives. Modification of Special Conditions AA5A, AA5E, and Schedule A. Addition of new Special Condition AA5I. Amendments are as a result of the consultation on SO incentives	
Directed 05.07.10 Effective from 31.12.10	4.7	Modification of Standard Conditions B12, C3, C4, C5, C6, C10 and C14 following Code Governance Review. (Note that the old conditions will remain in the licence along with the new conditions until 31.12.10)	
Effective from 11.08.10	4.8	Modifications to Standard Conditions A1, C1, B12, C5 and C17. Addition of new Standard Conditions B19 and C26.	DECC
Directed 3.12.10 Retrospective effect from 1.01.10	4.9	Modification to table B1(a) of Part B of Schedule A to AA5A following a material change in accordance with para B1 (b) of Part B of Schedule A. As referenced in the change control for version 4.7, removal of old Standard Conditions B12, C3, C4, C5, C6, C10 and C14 following Code Governance Review. (31.12.10)	Ofgem
Directed 20.01.11 Effective from 20.01.11	5.0	Modification of Standard Condition C13: Adjustment to use of system charges (small generators). The modification requires the licensee to continue to discount the use of system charges for eligible generators and removes the requirement for the licensee to use best endeavours to develop and implement use of system charges for eligible generators under its use of system charging methodology.	Ofgem
Directed 7.03.11 Effective from 7.03.11 Directed 31.03.11 Effective from 1.04.11	5.1	Modification of Standard Condition C17 to require the licence holders to comply with the most recent version of the NETS SQSS. Modification of Special Condition D11 to allow recovery of certain pre-construction and construction costs associated with transmission reinforcement projects for the period from 1 April 2011 until 31 March 2012.	Ofgem
Effective from 6 July 2011	5.2	Modification of Standard Condition C3 Balancing and Settlement Code for the purpose of facilitating the establishment and operation of a reconciliation mechanism in connection with the Warm Home Discount Scheme established under Part 2 of the Energy Act 2010C	Secretary of State

Date effective from	Licence Version	Detail	Comments
Directed 19 July 2011 Effective from 1 April 2011	5.3	Modification of Special Conditions AA5, AA5A, AA5I and Schedule A to AA5A. Addition of new Special Conditions AA5B and AA5J following consultation on SO incentives.	Ofgem
21 September 2011 Effective from 6 September 2011	5.4	Modification of Special Conditions D2 and D9 to provide a method of funding security for critical national infrastructure.	Ofgem
Published 9.11.11 Effective From 10.11.11	5.5	Modification of Standard Conditions A1, B1, B4, C3, C5A, C6A - C7, C8, C10, C11 and C14 Addition of new Standard Conditions B20 - Regional Co-operation and Condition B21 - Notification of changes that may affect eligibility for certification Housekeeping amendment to add para 1 (f) of Standard Condition C3 which had been incorrectly removed in version 5.2. Versions 5.3 and 5.4 of the licence have been amended retrospectively to include para 1 (f).	Ofgem
Directed 9.01.12 Effective from 05.03.12 Directed 13.01.12 Effective from 9.01.12	5.6	Modification of Standard Condition C17 to require the licensee to comply with the most recent version of the Electricity Transmission System Security and Quality of Supply Standard (version 2.2) Modification of Special Condition AA to extend geographical scope of the licence to include the Western Link HVDC	Ofgem
Directed 9.02.12 Directed 24.02.12	5.7	<u>Effective from 6 April 2012</u> Modification to Condition C8 to include reporting obligations which allow Ofgem to identify and monitor issues which may be delaying timely connections <u>Effective from 1 April 2012</u> Modification to Special Conditions D2, D3, Annex A to Special Condition D3, D4, D5, D9 and AA5A to implement the Transmission Price Control PPCR4 rollover.	Ofgem
Directed 20.04.12 Directed 01.06.12	5.8	<u>Effective from 15 June 2012</u> Modification of Special Condition C4 to extend the requirement to provide offshore transmission reports to Ofgem until 31 March 2021. <u>Effective from 16 July 2012 with retrospective effect from 1 April 2012</u> Modification of Special Condition D2 and Special Condition D11 to extend the provisions for recovery of preconstruction and construction costs associated with transmission reinforcement works up to end of 2012/13.	Ofgem
Directed 19.12.12 Directed 31.01.2013	5.9	<u>Effective from 14 February 2013</u> Modification to Condition C13 to extend the obligation on NGET to calculate use of system charges payable by small generators in accordance with the use of system methodology less a designated sum until 31 March 2016 <u>Effective 1 April 2013</u> Modification of the following Standard Conditions to implement changes resulting from the ring fencing consultation:	

Date effective from	Licence Version	Detail	Comments																																
Directed 31.01.2013		<ul style="list-style-type: none"> ▪ A1 – Definitions and interpretation ▪ B3 – Disposal of Relevant Assets ▪ B7 – Availability of Resources ▪ B8 – Undertaking from Ultimate Controller ▪ Condition B9 - Indebtedness <p>Addition of the following new condition</p> <ul style="list-style-type: none"> ▪ B22: Requirement for Sufficiently Independent Directors. <p><u>Effective from 1 April 2013</u> Modification of the following Standard Conditions to implement the RIIO ET1 Price Control</p> <ul style="list-style-type: none"> ▪ A1 – Definitions and Interpretation ▪ B1 – Regulatory Accounts ▪ B4 – Provision of Information to the Authority ▪ B15 – Price Control Review Information ▪ C1 – Interpretation of Section C ▪ C4 – Charges for use of system <p>Addition of the following new condition</p> <ul style="list-style-type: none"> ▪ B23 – Data Assurance Requirements <p>The following conditions have been removed and replaced with the text “not used”</p> <ul style="list-style-type: none"> ▪ B2 – Change of financial year ▪ B16 – Price Control Revenue Reporting and Associated Information ▪ B17 – Methodology for Network Output Measures <p><u>Effective from 1 April 2013</u> Modification to Special Conditions to implement the RIIO ET1 Price Control.</p> <p>The following conditions have been amended and renumbered:</p> <table border="1" data-bbox="528 1391 1027 1912"> <thead> <tr> <th>Old Condition</th> <th>New Condition</th> </tr> </thead> <tbody> <tr><td>Sp C D1</td><td>Sp C 1A</td></tr> <tr><td>Sp C C1</td><td>Sp C 2D</td></tr> <tr><td>Sp C C3</td><td>Sp C 2E</td></tr> <tr><td>Sp C C4</td><td>Sp C 2F</td></tr> <tr><td>Sp C D2</td><td>Sp C 3A</td></tr> <tr><td>Sp C D3</td><td>Sp C 3J</td></tr> <tr><td>Sp C D4</td><td>Sp C 3B</td></tr> <tr><td>Sp C D4</td><td>Sp C 3K</td></tr> <tr><td>Sp C D7</td><td>Sp C 8A</td></tr> <tr><td>Sp C D8</td><td>Sp C 8B</td></tr> <tr><td>Sp C D10</td><td>Sp C 6B</td></tr> <tr><td>Sp C D11</td><td>Sp C 2B</td></tr> <tr><td>Sp C M</td><td>Sp C 2H</td></tr> <tr><td>Sp C N</td><td>Sp C 2K</td></tr> <tr><td>Sp C AA5C</td><td></td></tr> </tbody> </table> <p>The following special condition has been amended:</p> <ul style="list-style-type: none"> ▪ Special Condition AA5A 	Old Condition	New Condition	Sp C D1	Sp C 1A	Sp C C1	Sp C 2D	Sp C C3	Sp C 2E	Sp C C4	Sp C 2F	Sp C D2	Sp C 3A	Sp C D3	Sp C 3J	Sp C D4	Sp C 3B	Sp C D4	Sp C 3K	Sp C D7	Sp C 8A	Sp C D8	Sp C 8B	Sp C D10	Sp C 6B	Sp C D11	Sp C 2B	Sp C M	Sp C 2H	Sp C N	Sp C 2K	Sp C AA5C		
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Sp C D11	Sp C 2B																																		
Sp C M	Sp C 2H																																		
Sp C N	Sp C 2K																																		
Sp C AA5C																																			

Date effective from	Licence Version	Detail	Comments
		<p>The following new special conditions have been added:</p> <ul style="list-style-type: none"> ▪ 2J – Network Access Policy ▪ 2L – Methodology for Network Output Measures ▪ 2M – Specification of Network Replacement Outputs ▪ 3C – Reliability Incentive Adjustment in Respect of Energy Not supplied ▪ 3D – Stakeholder Satisfaction Output ▪ 3E – Incentive in respect of Sulphur Hexafluoride Gas (SF₆) Emissions ▪ 3F – Adjustment in Respect of the Environmental Discretionary Reward Scheme ▪ 3H – The Network Innovation Allowance ▪ 3I – The Network Innovation Competition ▪ 3L – Pre-construction Engineering Outputs for prospective Strategic Wider Works Outputs ▪ 4A – Restriction on System Operator Internal Revenue ▪ 5A – Governance of ET1 Price Control Instruments ▪ 5B – Annual Iteration Process for the ET1 Price control Financial Model. ▪ 6A Legacy price Control Adjustments – TO ▪ 6C – Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – TO ▪ 6D – Specified Financial Adjustments – TO ▪ 6E – The innovation Roll-out Mechanism ▪ 6F – Baseline Generation Connections Outputs and Generation Connections volume driver ▪ 6G – Mitigating the Impact of Pre Existing Transmission Infrastructure on the visual amenity of Designated Areas ▪ 6H – Arrangements for the Recovery of Uncertain costs ▪ 6I Specification of Baseline Wider Works and Strategic Wider Works Outputs and Assessment of Allowed Expenditure ▪ 6J – allowed Expenditure for Incremental Wider works ▪ 6K – Allowed Expenditure for meeting planned requirements and volume driver ▪ 6L – Baseline Demand related infrastructure outputs and allowed expenditure volume driver – NGET ▪ 7A – Legacy price control adjustments- System Operator ▪ 7B – Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – System Operator ▪ 7C – Specified Financial Adjustments- System Operator ▪ 7D – Arrangements for the recovery of SO uncertain costs ▪ New special conditions which are not used but included to preserve the structure and numbering sequence of the Special Conditions 21, 2N, 3G and 8C. <p>The following Special Conditions have been deleted:</p> <ul style="list-style-type: none"> ▪ Special Condition D5 ▪ Special Condition D6 ▪ Special Condition D9 ▪ Special Condition K ▪ Special Condition AA5E ▪ Special Condition D ▪ Special Condition E 	

Date effective from	Licence Version	Detail	Comments										
		<ul style="list-style-type: none"> ▪ Special Condition F ▪ Special Condition I ▪ Special Condition J ▪ Special Condition L ▪ Special Condition AA5D ▪ Special Condition AA5F ▪ Special Condition AA5G ▪ Special Condition AA5H 											
Directed 27.03.13	6.0	<p><u>Effective from 22.05.13</u></p> <p>Modification of Standard Condition A4 to update and remove obsolete references</p>	EJG										
Directed 21.05.2013 Effective from 07.06.2013	6.1	Modification of Standard Condition C24 as a result of DECC Consultation regarding the shortfall cost recovery mechanism	EJG										
Directed 07.06.2013 Effective from 05.08.2013 Directed 04.07.2013 Effective from 31.08.2013	6.2	<p>Modifications to the following Standard Conditions in order to implement the Code Governance Review phase 2, Final Proposals;</p> <p style="padding-left: 40px;">B12 (System Operator – Transmission Owner Code), C3 (Balancing and Settlement Code (BSC)), C10 (Connection and Use of System Code (CUSC)) C14 (Grid Code)</p> <p>Modification to the following conditions in order to implement Electricity SO Incentive Scheme</p> <p>The following Special Conditions have been amended, updated and renumbered</p> <table border="1" data-bbox="528 1288 1236 1659"> <thead> <tr> <th data-bbox="528 1288 778 1323">Old Condition</th> <th data-bbox="778 1288 1236 1323">New Condition</th> </tr> </thead> <tbody> <tr> <td data-bbox="528 1323 778 1406">Sp C AA5</td> <td data-bbox="778 1323 1236 1406">Sp C 1A: Definitions and Interpretation</td> </tr> <tr> <td data-bbox="528 1406 778 1489">Sp C AA5</td> <td data-bbox="778 1406 1236 1489">Sp C 4B: Revenue Restriction Condition: Interpretation</td> </tr> <tr> <td data-bbox="528 1489 778 1572">Sp C AA5A</td> <td data-bbox="778 1489 1236 1572">Sp C 4C: Balancing Services Activity Revenue Restriction</td> </tr> <tr> <td data-bbox="528 1572 778 1659">Sp C AA5B</td> <td data-bbox="778 1572 1236 1659">Sp C 4D: Restriction on Contracting with BSC Parties</td> </tr> </tbody> </table> <p>The following new Special Conditions have been inserted</p> <ul style="list-style-type: none"> • SC 4E - Requirement to Conduct a Review and Continue to Develop Enduring Models for Forecasting the Costs of Procuring and Using Balancing Services • SC 4F – Requirement to Develop Methodologies for the Purposes of Identifying a Target for the Costs of Procuring and Using Balancing Services • SC 4G – Black start Cost Incentive • SC 4H – Wind Generation Forecasting Incentive 	Old Condition	New Condition	Sp C AA5	Sp C 1A: Definitions and Interpretation	Sp C AA5	Sp C 4B: Revenue Restriction Condition: Interpretation	Sp C AA5A	Sp C 4C: Balancing Services Activity Revenue Restriction	Sp C AA5B	Sp C 4D: Restriction on Contracting with BSC Parties	EJG
Old Condition	New Condition												
Sp C AA5	Sp C 1A: Definitions and Interpretation												
Sp C AA5	Sp C 4B: Revenue Restriction Condition: Interpretation												
Sp C AA5A	Sp C 4C: Balancing Services Activity Revenue Restriction												
Sp C AA5B	Sp C 4D: Restriction on Contracting with BSC Parties												

Date effective from	Licence Version	Detail	Comments
		<ul style="list-style-type: none"> • SC 4I – Requirement to Report On System Transmission Losses [and Reactive Power] • SC 4J – The System Operator Innovation Roll-out Mechanism <p>The following Special Conditions have been deleted:</p> <ul style="list-style-type: none"> • SC AA5I • SC AA5J 	
Directed 22.10.13 Effective from 17.12.13	6.3	Modification to Conditions B12, B18, C3, C5, C6 and C10 relevant to third package and general housekeeping	EJG
Directed on 24.02.14 Effective from 22 April 2014	6.4	Modification to Standard Conditions A1, A4, B1, C3, C10 and E2, to update references from National Consumer Council to Citizens Advice and Citizens Advice Scotland.	EJG
Directed on 12.03.14 Effective from 28.05.14	6.5	Modification of Standard Conditions A1 and C25 as a result of decision on the implementation of the generator commissioning clause	EJG
Directed on 11.04.14 Effective from 06.06.14	6.6	Modification to Special Condition 1A, 4B, 4C and insertion of new Special Condition 4K to establish funding arrangements to allow NGET to recover economic and efficient external costs it incurs for the provision of Supplemental Balancing Reserve (“SBR”) and Demand Side Balancing Reserve (“DSBR”)	EJG
Directed on 09.05.2014 Effective from 05.07.2014	6.7	Modification to Special Condition 4A (Restriction of System Operator Internal Revenue) with regards to funding National Grid Electricity Transmission plc’s (NGET’s) preparatory costs for its proposed roles in Electricity Market Reform (EMR)	EJG
Effective from 01.08.14	6.8	Directions by Secretary of State (EMR No.1 and EMR No.2). Addition of new Special Condition 2N (Electricity Market Reform) in order to implement business separation measures. Consequential changes to Conditions A1, C3 and Special Condition 1C (note that the amendments to Special Condition 1C have the effect of amending the wording in standard conditions B1, B5, B6, B7 and B8 to include reference to EMR Functions)	MH
Effective from 16.09.14	6.9	Modification to special condition 4A (Restriction of System Operator Internal Revenue) and insertion of new Special Condition 4L (EMR Dispute Resolution Incentive. The effect of the modification is to introduce a new term (SOEMRDRI) relating to dispute resolution decisions, which allows the Authority to adjust NGETs revenue depending on performance.	MH

Date effective from	Licence Version	Detail	Comments
Effective from 17.10.14	7.0	Modification to SC 1A and SC 7D to enable NGET to recover costs for activities it undertakes as the Electricity Market Reform (EMR) Delivery Body.	EJG
Effective from 30.10.14	7.0	Modification to Special Condition 6B to give effect to the decision of 18 th July 2014 to approve an increase in the licence holder's 2012-13 capital expenditure allowance for the Anglo Scottish Incremental project	EJG
Directed on 15.10.14 Effective from 15.12.14	7.1	Not effective in our licence but inserted for information Modification to insert a new amended standard condition E12-D2 (the Condition) to provide further transparency in respect of equity transactions which impact the Licence Holder following licence grant and to provide the Authority with information on the appetite in the secondary equity market for investment in OFTOs	EJG
Directed on 20.10.14 Effective from 16.12.14	7.1	Modification to replace the obligation to produce the Seven Year Statement (contained in Standard Condition C11 of the licence) and the offshore development information statement (contained in Special Condition 2F of the licence) with a new, combined statement of network development information known as the electricity ten-year statement (ETYS)	EJG
Directed on 03.12.2014 Effective from 29.01.15	7.2	Modification to Special Condition 3J (Transmission Investment for Renewable Generation) to correct a typographical error in the formula in paragraph 3J.7	EJG
Directed on 16.03.2015 Effective from 15.03.2015	7.3	Modifications to make a number of amendments to Special Condition 2N The amendments are intended <ul style="list-style-type: none"> • To clarify certain provisions of Special Condition 2N • To enable Confidential EMR Administrative Information and Confidential EMR Delivery Plan Information to be shared between the EMR Administrative Team and the EMR Data Handling Team • And to revise the definition of "Relevant Other Competitive Business" 	EJG
Directed on 02.02.2015 Effective from 01.04.2015 Directed on 03.02.2015 Effective from 01.04.2015	7.4	Modification to Special condition 3I (The Network Innovation Competition) to give effect to the decision that electricity distributors should participate in the Electricity Network Innovation Competition from the start of the RIIO-ED1 price control; and to reflect the earlier decisions that funding for NIC projects should be through transmission charges and that learning should be shared amongst all relevant licensees. Modification to condition B23 (Data Assurance Requirements) to enable the Authority to require Licensees to report, for data assurance purposes, on an annual cycle that commences on the 1 March in each year and ends on the 28 February (or 29 February in a leap year) in the following year.	

Date effective from	Licence Version	Detail	Comments
Directed on 02.04.2015 Effective from 01.04.2015	7.4	Not effective in our licence but inserted for information Modification notice amending Amended Standard Condition E12-J11 (The Network Innovation Competition) in the offshore transmission owners' licences	EJG
Directed on 19.03.2015 Effective from 15.05.2015	7.5	Modification to Standard Condition C3 (Balancing and Settlement Code (BSC)) to provide clarity regarding the role of the Balancing and Settlement Code Company (BSCCo) and the Balancing and Settlement Code (BSC) code administrator and to enable future expansion of the role of Elexon Limited.	EJG
Directed on 08.04.2015 Effective from 03.06.2015	7.6	Modification to Standard Special Condition 4K to allow the Licensee to recover cost of certain economic and efficient payments to potential providers of Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR).	EJG
Directed on 07.05.2015 Effective from 01.07.2015	7.7	Modifications to several special conditions, which are needed to clarify certain changes made for the electricity RIIO-T1 price control, and to amend the licence for the Authority's decision on the CUSC Modification Proposal 192	EJG
Directed on 19.06.2015 Effective from 14.08.2015	7.8	Modifications to Special Conditions 4C, 4D, 4E, 4F, 4G, 4H and 4J (to introduce the System Operator (SO) incentive scheme for the period 2015-17).	EJG
Directed on 03.09.2015 Effective from 30.09.2016	7.9	Modification to Standard Condition B12, to implement our decision of 17 March to enhance the role of the System Operator (SO) in planning the electricity transmission network and mitigating any resulting conflicts of interest	EJG
Directed on 03.09.2015 Effective from 02.11.2015	8.0	Modifications to various standard conditions and special conditions of the licence, to implement our decision of 17 March to enhance the role of the System Operator (SO) in planning the electricity transmission network and mitigating any resulting conflicts of interest	EJG
Directed on 22.01.201 Effective from 31.03.2016 Directed on 29.10.2015 Effective from 01.04.2016	8.1	Modification to SC C13 (Adjustment to use of system charges (small generators)), to extend the expiry date of the small generator discount from 31 March 2016 to 31 March 2019 Modification to SC 4A (Restriction of System Operator Internal Revenue) and SC 4L (EMR Dispute Resolution Incentive) ('the Conditions') to ensure suitable performance incentives are in place for NGET in its role as the Electricity Market Reform (EMR) Delivery Body	EJG

Date effective from	Licence Version	Detail	Comments
Directed on 29.03.2016 Effective from 20.05.2016	8.2	Modifications to SC 4C (Balancing Services Activity Revenue Restriction on External Costs), to allow NGET to adjust the system operator external costs incentive scheme payments	EJG
Directed on 16.07.2016 Effective from 01.06.2016	8.3	Modifications to Special Condition 4L to reflect the introduction of an Early Capacity Auction for delivery year 2017/18 by the Department of Energy and Climate Change	EJG
Directed on 14.06.2016 Effective from 10.08.2016	8.4	Code Governance Review (Phase 3) Final Proposals – licence modifications to SLC C3 (BSC), SLC C5 (CUSC), SLC C10 (CUSC), SLC B12 (STC), SLC C14 (Grid Code)	EJG
Directed on 16.11.2016 Effective from 18.01.2016 Directed on 23.11.2016 Effective from 18.01.2016	8.5	Modifications to SC 1A and SC 3B in order to implement the cap and floor regime and NGIL's use of revenues compliance related provisions. Modifications to Part D of special condition 3D (Stakeholder Satisfaction Output) of the Licence	EJG
Directed on 12.12.2016 Effective from 08.02.2017	8.6	Modifications to SLC C17, SLC D3 and SLC E16 in order to update all references to the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS) version number to reflect the latest version, number 2.3	EJG
Directed on 13.01.2017 Effective from 11.03.2017	8.7	Modification to the Funding Return Mechanism (FRM) set out in the Network Innovation Competition (NIC) and Low Carbon Networks Fund (LCNF) licence conditions - (SC 3I and SC 1A)	EJG
Directed on 30.03.2017 Effective from 05.05.2017	8.8	Modification to Part B and D of Special Condition 6G (Mitigating the impact of Pre- existing Transmission Infrastructure on the visual amenity of Designated Areas) in order to make modifications to the EPI outputs and Allowed Expenditure	EJG
Directed on 30.03.2017 Effective from 05.05.2017	8.9	Modifications to Standard Condition C16 and Special Conditions 1A, 4C, 4D, 4E, 4F, 4G, 4H and 4J, to clarify NGET's obligations under standard condition C16 and introduce the System Operator (SO) incentive scheme for the period 2017-18.	EJG
Directed on 30.06.2017 Effective from 25.08.2017	9.0	Modification to insert Standard Condition B16 (The Electricity Network Innovation Strategy), to implement the policy decision made on 31 March 2017 to require network operators regulated through the Revenue=Incentives + Innovation + Outputs (RIIO) price control framework to collaborate on the development of an Electricity Network Innovation Strategy.	EJG
Directed on 18.07.2017 Effective from 01.09.2017	9.1	Modifications to Special Condition 3H (The Network Innovation Allowance, to implement the policy decision of 31 March 2017, that licensees should not be able to recover the cost of preparing submissions in respect of projects which passed the Network Innovation Competition initial screening process in 2018/19 and	EJG

Date effective from	Licence Version	Detail	Comments
		thereafter, in order to reduce to zero the amount licensees can recover as Bid Preparation Costs to zero in 2018/19 and thereafter.	
Directed on 29.09.2017 Effective from 25.11.2017	9.2	Modification to remove Special Condition 4K and amend the existing special conditions in order to remove NGET's ability to recover any costs associated with the provision of Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR).	EJG
Directed on 13.02.2018 Effective from 29.01.2018	9.3	Modifications under Part C of Special Condition 6G to implement our determination on new Enhancing Pre-existing Infrastructure (EPI) outputs and a related adjustment to National Grid Electricity Transmission's (National Grid) allowed expenditure, under the RIIO ET1 price control	EJG
Directed on 28.03.2018 Effective from 24.05.2018	9.4	Modifications to special conditions 4B, 4C, 4D, 4E, 4F, 4H, 4I, 4J and 4M, in order to introduce new reporting and incentive arrangements for the Electricity System Operator	EJG
Directed on 31.05.2018 Effective from 31.05.2018	9.5	Modifications to Table 1 in Part A of Special Condition 3L (Pre-construction Engineering Outputs for prospective Strategic Wider Works), in order to amend details of Pre-Construction Engineering Outputs	EJG
Directed on 04.01.2019 (Determination) Effective from 04.01.2019	9.6	Direction issued under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) to specify one new EPI Output that the Licensee is required to deliver and to specify the associated EPIE values	EJG
Directed on 30.11.2018 Effective from 01.02.2019	9.7	Modification to Standard Condition C19, to place a duty on all electricity transmission licensees, to cooperate with the Authority or any person(s) appointed by the Authority, as may be required to give full effect to the conclusions of a Significant Code Review.	EJG
Directed on 14.02.2019 Effective from 14.02.2019	9.8	Modifications to Special Condition 6G (Mitigating the impact of Pre existing Transmission Infrastructure on the visual amenity of Designated Areas) to make modifications to specify EPI outputs and Allowed Expenditure	EJG
Effective from 01.04.2019	9.9	Form of licence effective from 1/4/19 following the partial transfer of the licence by NGET to National Grid Electricity System Operator Limited pursuant to consent granted to NGET by the Authority under section 7A of the Electricity Act 1989 on 4/9/18. Also reflecting: (1) modifications directed by the Authority under section 11A of the Electricity Act 1989 on 4/9/18 and taking effect on 1/4/19; and (2) additional modifications made by the Authority under Section 7A of the Electricity Act 1989 as set out in Ofgem's open letter of 06/02/19 and taking effect on 01/04/19.	EJG

Date effective from	Licence Version	Detail	Comments
Directed on 21.03.2019 Effective from 17.05.2019	10.0	Modifications to standard conditions A1 and D3 to reflect the latest version number of the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS)	EJG
Directed on 21.03.2019 Effective from 17.05.2019	10.1	Modifications under Part C of Special Condition 6G, for new Enhancing Pre-existing Infrastructure (EPI) outputs and a related adjustment to its allowed expenditure under the RIIO-T1 price control.	EJG
Directed on 12.12.2019 Effective from 31.01.2020	10.2	Modifications under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas), to specify EPI outputs and Allowed Expenditure	EJG
April 2020	10.3	General housekeeping	EJG
Directed on 08.12.2020 Effective from 31.12.2020	10.4	Licence modifications to Standard Condition B6 (restriction on activity and financial ring fencing) and Standard Condition B20 (Regional Cooperation) as a result of the transposition of the Clean Energy Package	EJG
Directed on 03.12.2020 Effective from 29.01.2021	10.5	Modifications to Special Condition 2M: Specification of Network Replacement Outputs ('SpC 2M') in order to replace the current volume-based Network Replacement Outputs	EJG
Directed on 15.01.2020 Effective from 14.03.2021	10.6	Modifications to Special Condition 6I (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure), in order to introduce a new SWW output and allowed expenditure for the Hinkley-Seabank Project and also to reflect changes related to COAE	EJG
Directed on 15.01.2020 Effective from 31.03.2021		Modifications under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas), to implement Ofgem's determination on new Enhancing Pre-existing Infrastructure (EPI) outputs and a related adjustment to National Grid Electricity Transmission's (National Grid) allowed expenditure under the RIIO ET1 price control	
Directed on 15.01.2020 Effective from 31.03.2021		Modifications under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas), to implement Ofgem's determination to make modifications to the EPI outputs and Allowed Expenditure, in its proposal for reducing visual amenity impacts in the Peak District National Park and funding development costs for the New Forest mitigation project	

<p>Directed on 01.02.2021</p> <p>Effective from 01.04.2021</p> <p>Directed on 15.01.2020</p> <p>Effective from 01.04.2021</p>	<p>10.7</p>	<p>Modification to standard condition D3, to update all references to the National Electricity Transmission System Security and Quality of Supply Standard ('NETS SQSS') to reflect the latest version number 2.5.</p> <p style="text-align: center;">- - - - -</p> <p>Modifications to implement the RIIO ET2 Price Control:</p> <p>Removing all existing Special Conditions</p> <p>Inserting new Special Conditions in Chapters 1 to 9:</p> <ul style="list-style-type: none"> • Chapter 1 (1.1-1.2) • Chapter 2 (2.1 -2.3) • Chapter 3 (3.1-3.36) • Chapter 4 (4.1 -4.8) • Chapter 5 (5.1- 5.7) • Chapter 6 (6.1-6.2) • Chapter 7 (7.1-7.12) • Chapter 8 (8.1-8.2) • Chapter 9 (9.1-9.18) <p>Amending the following Standard Conditions:</p> <ul style="list-style-type: none"> • A1 (Definitions and interpretation) • B10 (Credit Rating) • B12 (System Operator – Transmission Owner Code) • B15 (Regulatory Instructions and Guidance) • B16 (Electricity Network Innovation Strategy) • B23 (Data assurance requirements) <p>Inserting the following new Standard Condition:</p> <ul style="list-style-type: none"> • B24 (Housekeeping) <p>Removing the following Standard Conditions:</p> <ul style="list-style-type: none"> • A7 (Offshore Transmission Implementation) • B13 (BETTA implementation) • B14 (BETTA run-off arrangements scheme) <p><i>(it is recognised that the drafting directed on 3 February 2021 contains a number of errors. Ofgem has committed to addressing these errors and bringing forward modifications in due course. Until these modifications are made the conformed licence therefore contains these errors)</i></p>	
<p>Directed on 11.02.2021</p> <p>Effective from 08.04.2021</p>	<p>10.8</p>	<p>Modifications to the standard conditions, to reflect amendments to UK law as a consequence of the end of the Brexit transition period</p>	<p>EJG</p>

**SCHEME MADE PURSUANT TO PARAGRAPH 18 OF SCHEDULE 7 TO
THE UTILITIES ACT 2000 IN RESPECT OF THE TRANSMISSION
LICENCE GRANTED TO THE NATIONAL GRID COMPANY PLC UNDER SECTION
6(1)(b) OF THE ELECTRICITY ACT 1989**

MADE ON 28 SEPTEMBER 2001

THE SCHEME

Pursuant to paragraph 18 of Schedule 7 to the Utilities Act 2000 (“the 2000 Act”), the Secretary of State hereby makes the following Scheme (“the Scheme”):

RECITALS

WHEREAS:

1. The National Grid Company plc (company registered no. 2366977) (the “Company”) holds a transmission licence under section 6(1)(b) of the Electricity Act 1989 (“the Electricity Act 1989”) (the “Existing Transmission Licence”).
2. Paragraph 18 of Schedule 7 to the Utilities Act 2000 (“Schedule 7”) applies to the Company as the holder of the licence referred to in recital 1 above.
3. The purpose of this Scheme which is made by the Secretary of State pursuant to paragraph 18 of Schedule 7 is to provide for the Existing Transmission Licence to be amended and as so amended to have effect on and after the determination day as a transmission licence on the terms of this Scheme held by the Company (“the Electricity Transmission Licence”).

1. INTERPRETATION

- 1.1 In this Scheme, unless the context otherwise requires, the following expressions shall bear the meanings ascribed to them below:

“the Authority” means the Gas and Electricity Markets Authority established pursuant to section 1 of the 2000 Act;

“determination day” means the date on which the standard conditions of electricity transmission licences (determined by virtue of section 33(1) of the 2000 Act) take effect.

- 1.2 Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, this Scheme shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
- 1.3 Unless the context otherwise requires, words and expressions used in Part I of the Electricity Act 1989 (as in force immediately before the determination day, or as the context requires as in force from the determination day) shall bear the same meaning in this Scheme.

2 AMENDMENT AND RESTATEMENT

- 2.1 On the determination day, the Existing Transmission Licence shall be amended and restated in its entirety as set out in Annex 1 hereto.

3 NEW STANDARD CONDITIONS

- 3.1 Each condition of the standard conditions determined and published by the Secretary of State under section 33(1) of the 2000 Act as standard conditions for the purposes of electricity transmission licences under section 6(1) (b) of the Electricity Act 1989 shall on the determination day be incorporated in Part II of the Electricity Transmission Licence in substitution for the licence conditions in the Existing Transmission Licence immediately prior to the determination day excluding those which are saved (as the same may have been amended) as special conditions in Part IV of the Electricity Transmission Licence.

4 CONTINUING EFFECT

- 4.1 Anything done under or by virtue of the Existing Transmission Licence and which is in effect immediately before the determination day shall have continuing effect as if they were done under or by virtue of the Electricity Transmission Licence in so far as it is permitted by or in pursuance of the new standard conditions (including any amendments made under Part III of the Electricity Transmission Licence or special conditions in Part IV of the Electricity Transmission Licence).
- 4.2 Without prejudice to the generality of sub-clause 4.1 above,
- (a) every statement, code or other document prepared pursuant to an obligation in the Existing Transmission Licence; and
 - (b) every direction, consent, determination or other instrument made by the Authority in relation to the Existing Transmission Licence,

which in each case is in effect immediately before the determination day, shall have continuing effect pursuant to the Electricity Transmission Licence in so far as it is permitted by or in pursuance of the new standard conditions (including any amendments

made under Part III of the Electricity Transmission Licence or special conditions in Part IV of the Electricity Transmission Licence).

On this the 28th day of September 2001

.....

An official of the Department of Trade and Industry authorised to act on behalf of the Secretary of State

PART I. TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act"), authorises The National Grid Company plc (a company registered in England and Wales under company registration number 2366977) ("the licensee") whose registered office is situated at 1-3 The Strand, London, WC2N5EH to participate in the transmission of electricity to premises in the area specified in Schedule 1 during the period specified in paragraph 3 below, subject to –
 - (a) the standard conditions of electricity transmission licences referred to in-
 - (i) paragraph 1 of Part II below, which shall have effect in the licence; and
 - (ii) paragraph 2 of Part II below, which shall only have effect in the licence if brought into effect in accordance with the provisions of standard conditions A2 and A3, subject to such amendments to those conditions, if any, as set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the special conditions"); and
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the special conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, the special conditions or the conditions.
3. This licence, unless revoked in accordance with Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109 (1) of the Act (Service of documents) shall have effect as if set out herein and as if for the words "this Act", there were substituted the words "this licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence -
 - (a) the enactment has been replaced or supplemented by another enactment, and

- (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter, shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

This licence was amended and restated by a licensing scheme made by the Secretary of State pursuant to Part II of Schedule 7 to the Utilities Act 2000 on 28 September 2001.

PART II. THE STANDARD CONDITIONS

1. Standard conditions in effect in this licence

Section A	Section B	Section D
Standard Condition A1	Standard Condition B1	Standard Condition D1
Standard Condition A2	Standard Condition B2 (not used)	Standard Condition D2
Standard Condition A3	Standard Condition B3	Standard Condition D3
Standard Condition A4	Standard Condition B4	Standard Condition D4 (not used)
Standard Condition A5	Standard Condition B5	Standard Condition D4A
Standard Condition A6	Standard Condition B6	Standard Condition D4B
Standard Condition A7 (Removed)	Standard Condition B7	Standard Condition D5
	Standard Condition B8	Standard Condition D6
	Standard Condition B9	Standard Condition D7 (not used)
	Standard Condition B10	Standard Condition D8 (not used)
	Standard Condition B11	Standard Condition D9 (not used)
	Standard Condition B12	Standard Condition D10 (not used)
	Standard Condition B13 (removed)	Standard Condition D11 (not used)
	Standard Condition B14 (removed)	Standard Condition D12
	Standard Condition B15	Standard Condition D13 (not used)
	Standard Condition B16	Standard Condition D14 (not used)
	Standard Condition B17 (not used)	Standard Condition D15
	Standard Condition B18	Standard Condition D16
	Standard Condition B19	
	Standard Condition B20	
	Standard Condition B21	
	Standard Condition B22	
	Standard Condition B23	
	Standard Condition B24	

SECTION A. INTERPRETATION, APPLICATION AND PAYMENTS

Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

the "Act"	means the Electricity Act 1989.
"affected transmission licensee"	for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"affiliate"	in relation to the licensee, means any holding company of the licensee, any subsidiary of the licensee, or any subsidiary of a holding company of the licensee.
"the "Agency"	means the Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 as it had effect immediately before IP completion day.
"ancillary services"	for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"applicable balancing services"	for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition.
"applicable balancing services volume data"	for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition.
"applicable balancing services volume data methodology"	for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition.
"applicable BSC objective(s)"	for the purposes of standard condition C3 (Balancing and Settlement Code (BSC)) only, has the meaning given in that condition.
"applicable CUSC objectives"	for the purposes of standard condition C10 (Connection and Use of System Code (CUSC)) only, has the meaning given in that condition.

"applicable STC objectives"	for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.
"Application Regulations"	for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"associated TO agreement"	for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"associated TO offer"	for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"auditors"	means the licensee's auditors for the time being holding office in accordance with the requirements of the Companies Act 2006.
"authorised"	in relation to any business or activity, means authorised by licence granted or treated as granted under section 6 of the Act or, in appropriate cases, by exemption granted under section 5 of the Act.
"authorised electricity operator"	means any person (other than the licensee in its capacity as operator of the licensee's transmission system or the national electricity transmission system) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an interconnector and for the purposes of standard conditions C7 (Prohibition on discriminating between users) to C9 (Functions of the Authority) inclusive shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the national electricity transmission system across any interconnector (or who has made an application for use of an interconnector which has not been refused).
the "Authority"	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.
"balancing mechanism"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).

"balancing services"	for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"balancing services activity"	has the meaning given in standard condition C1 (Interpretation of Section C).
"balancing services adjustment data methodology"	for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition.
"BETTA"	means the British electricity trading and transmission arrangements which are provided for in Chapter 1 of Part 3 of the Energy Act 2004.
"BETTA go-live date"	means the date which the Secretary of State indicates in a direction shall be the BETTA go-live date.
"bilateral agreement"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"bilateral connection agreement"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"bilateral embedded generation agreement"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"BSC"	has the meaning given in standard condition C1 (Interpretation of Section C).
"BSC Framework Agreement"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"BSC party"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
Citizens Advice	means the National Association of Citizens Advice Bureaux
"Citizens Advice Scotland	means the Scottish Association of Citizens Advice Bureaux

“Codes”	Means any or all of the CUSC, BSC, Grid Code, STC and any Scottish grid code as the context requires
“connect and manage applicant”	means a person seeking a connect and manage connection to the national electricity transmission system or distribution system by submitting a connect and manage application to the licensee;
“connect and manage application”	means an application from a connect and manage applicant for connection to the national electricity transmission system or distribution system or for modification to an existing connection to the national electricity transmission system or distribution system after the connect and manage implementation date;
“connect and manage connection”	means the connection or modification of an existing connection to the national electricity transmission system or distribution system of a connect and manage applicant, that is dependent upon completion of enabling works but not on completion of wider works on the national electricity transmission system;
“connect and manage derogation”	for the purposes of Sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage derogation criteria”	for the purposes of Sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage derogation report”	for the purposes of Sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage implementation date”	means the date which the Secretary of State determines shall be the connect and manage implementation date;

“connect and manage offer”	for the purposes of sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage transferee”	means persons who have received or have accepted an interim connect and manage offer but who have not yet been connected to the national electricity transmission system or distribution system as at the connect and manage implementation date pursuant to that interim connect and manage offer;
“connect and manage transition period”	means the period ending 6 months after the connect and manage implementation date;
"connection charges"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"connection charging methodology"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
“connection date”	means the date on which a connect and manage applicant is connected to or able to use the national electricity transmission system or distribution system in accordance with a connect and manage offer;
“consolidated transmission business”	for the purposes of standard conditions B1 (Regulatory Accounts) and E2 (Regulatory Accounts) only, means the consolidation, for regulatory accounting purposes, of the business referred to in the definition of the “transmission business”.
"construction agreement"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"core industry documents"	means those documents which: in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and authorised electricity operators, the subject matter of which relates to or is connected with the BSC or the balancing and settlement arrangements and have been so designated by the Secretary of State.

"cross-default obligation"	<p>means a term of any agreement or arrangement (not including any arrangements between transmission licensees under the STC Framework Agreement) whereby the licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, increasing or of acceleration by reason of a default (howsoever such default may be described or defined) by any person other than the licensee unless:</p> <p>that liability can arise only as the result of a default by a subsidiary of the licensee,</p> <p>the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors, and</p> <p>that subsidiary carries on business only for a purpose within paragraph (a) of the definition of permitted purpose.</p>
"customer"	<p>means any person supplied or requiring to be supplied with electricity at any premises in the national electricity transmission system operator area but shall not include any authorised electricity operator in his capacity as such.</p>
"CUSC"	<p>has the meaning given in standard condition C1 (Interpretation of Section C).</p>
"CUSC Framework Agreement"	<p>for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).</p>
"CUSC party"	<p>for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).</p>
"CUSC user"	<p>for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).</p>
Data Assurance Guidance (DAG)	<p>means the document issued by the Authority from time to time pursuant to a direction under Condition B23.</p>

"designated sum"	for the purposes of standard condition C13 (Adjustments to use of system charges (small generators), has the meaning given in that condition.
"Director General of Electricity Supply"	for the purposes of standard condition A4 (Payments to the Authority) only, has the meaning given in that condition.
"disposal"	for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only, has the meaning given in each of those conditions.
"Distribution Code"	means any distribution code required to be prepared by a licensed distributor pursuant to standard condition 9 (Distribution Code) of a distribution licence and approved by the Authority and revised from time to time with the approval of the Authority.
"distribution licence"	means a distribution licence granted or treated as granted under section 6(1)(c) of the Act.
"distribution system"	means the system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor and used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to customers or authorised electricity operators or any transmission licensee in its capacity as operator of the licensee's transmission system or the national electricity transmission system and includes remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and any¹ electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but shall not include any part of the national electricity transmission system.
"effective time"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).

¹ Additional text inserted by Special Condition 1.2

“the Electricity Directive”	means Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC as it has effect immediately before IP completion day as read with the modifications set out in the Act.
“electricity licensee”	Means the holder of a licence granted under the Act
“the Electricity Regulation”	means Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006..
"eligible generator"	for the purposes of standard condition C13 (Adjustments to use of system charges (small generators)), has the meaning given in that condition.
“enabling works”	for the purposes of standard condition B19 and Section C has the meaning given in standard condition C1 (Interpretation of Section C) and for the purposes of Section D has the meaning given in standard condition D1 (Interpretation of Section D)
"estimated costs"	for the purposes of standard condition A4 (Payments to the Authority) only, has the meaning given in that condition.
“final proposals”	means the documents entitled RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas – Overview (Reference number: 169/12), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 17 December 2012; RIIO-T1 Final Proposals for SP Transmission Ltd and Scottish Hydro Electric Transmission Ltd (Reference number: 58/12), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 23 April 2012; and RIIO-T1: Final Proposals update letter in respect of the statutory consultation on the licence modifications for SP Transmission Ltd and Scottish Hydro Electric Transmission Plc (Reference number: 193/12), which was published on 21 December 2012.

Financial Resilience Report	means the report prepared by the licensee pursuant to Part C of Standard Condition B10.
"financial year"	means subject to standard E3 (Change of financial year) (where applicable) a period of 12 months beginning on 1 st April of each year and ending on 31 st March of the following calendar year
"Fuel Security Code"	means the document of that title designated as such by the Secretary of State as from time to time amended.
"GB transmission system"	for the purposes of standard conditions C18 and D15 and the special conditions of the system operator's and Scottish licensees' licences, means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain in connection with the transmission of electricity but shall not include any remote transmission assets² .
"generation set"	means any plant or apparatus for the production of electricity and shall where appropriate include a generating station comprising more than one generating set.
"Great Britain"	means the landmass of England and Wales and Scotland, including internal waters.
"Grid Code"	means the grid code required to be drawn up by the system operator pursuant to standard condition C14 (Grid Code), as from time to time revised with the approval of the Authority.
"grid supply point"	means any point at which electricity is delivered from the national electricity transmission system to any distribution system.

² Additional text taken from Special Condition 1.2

“holding company”	means a holding company within the meaning of section 1159 of the Companies Act 2006.
Housekeeping Modification	means minor changes such as: <ul style="list-style-type: none"> (a) renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired; (b) corrections of evident mistakes including typographical errors, incorrect cross-references and formatting errors; (c) updates to: <ul style="list-style-type: none"> (i) version numbers of other documents mentioned in the licence; (ii) the titles of re-enacted legislation; (iii) names of bodies that have been renamed.
Housekeeping Modification Working Group	means a working group established for the purposes of considering proposed Housekeeping Modifications under this condition.
"imbalance price"	for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition.
"indebtedness"	means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.
"information"	includes any documents, accounts, estimates, returns, records or reports and data in written, verbal or electronic form and information in any form or medium whatsoever (whether or not prepared specifically at the request of the Authority) of any description specified by the Authority.
“Instrument Credit Rating”	means <ul style="list-style-type: none"> (a) a “Long-Term Issue Credit Rating” by Standard & Poor’s Ratings Group or by any of its subsidiaries; (b) a “Long-Term Obligation Rating” by Moody’s Investors Services Inc. or any of its subsidiaries;

- (c) a rating on the “Structured Project & Public Finance Obligations Long Term Ratings Scale” by Fitch Ratings Ltd or any of its subsidiaries;
- (d) a rating which, the Authority directs, is equivalent to those referred to in sub-paragraphs (a), (b), or (c) and issued by:
 - (i) any of the credit rating agencies as referred to in sub-paragraphs (a), (b), or (c); or
 - (ii) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America.

“interconnection”

means the 275kV and 400kV circuits between and including the associated switchgear at Harker sub-station in Cumbria and the associated switchgear at Strathaven sub-station in Lanarkshire;

the 275kV transmission circuit between and including the associated switchgear at Cockenzie in East Lothian and the associated switchgear at Stella in Tyne and Wear; and

the 400kV transmission circuit between and including the associated switchgear at Torness in East Lothian and the associated switchgear at Stella in Tyne and Wear

all as existing at the date on which the transmission licence of each existing Scottish licensee comes into force as from time to time maintained, repaired or renewed, together with any alteration, modification or addition (other than maintenance, repair or renewal) which is primarily designed to effect a permanent increase in one or more particular interconnection capacities as they exist immediately prior to such alteration, modification or addition and as from time to time maintained, repaired or renewed; and

the 132kV transmission circuit between and including (and directly connecting) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria; and

the 132kV transmission circuit between and including (and connecting, via Junction V) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria

all as existing at the date on which the transmission licence of each existing Scottish licensee comes into force and as from time to time maintained, repaired or renewed.

- "interconnector(s)" has the meaning given in standard condition C1 (Interpretation of Section C).
- "interim connect and manage offer" for the purpose of Section C only has the meaning given in standard condition C1 (Interpretation of Section C)
- "Investment Grade" means in relation to any Issuer Credit Rating or Instrument Credit Rating unless otherwise directed:
- (a) one of the following:
 - (i) a rating of not less than BBB- by Standard & Poor's Ratings Group or any of its subsidiaries;
 - (ii) a rating of not less than Baa3 by Moody's Investors Service Inc. or any of its subsidiaries;
 - (iii) a rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries; or
 - (iv) in relation to Issuer Credit Ratings only, a rating of not less than BBB(low) by DBRS Ratings Limited or any of its affiliates; or
 - (v) a rating which the Authority directs, is equivalent to those referred to in sub-paragraphs (i), (ii), (iii) and (iv) and issued by:
 - (aa) any of the credit rating agencies referred to in sub-paragraphs (i), (ii), (iii) or (iv); or
 - (bb) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America; or

- (b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.

“IP completion day” has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020

“Issuer Credit Rating” means

- (a) an issuer credit rating by Standard & Poor’s Ratings Group or any of its subsidiaries;
- (b) an issuer credit rating by Moody’s Investors Service Inc. or any of its subsidiaries;
- (c) an issuer credit default rating by Fitch Ratings Ltd or any of its subsidiaries; or
- (d) an issuer credit rating by DBRS Ratings Limited or any of its affiliates; or
- (e) a rating which, in the opinion of the Authority, notified in writing to the licensee, is equivalent to those referred to in subparagraphs (a), (b), (c) or (d) and issued by:
 - (i) any of the credit rating agencies as referred to in subparagraphs (a), (b), (c) or (d); or
 - (ii) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America.

“legally binding decision of the European Commission and/or the Agency” and “legally binding decisions of the European Commission and/or the Agency” means any relevant legally binding decision or decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so much of a decision as is not, Retained EU Law.

"licensed distributor" means any holder of a distribution licence.

"licensee's transmission system"	means those parts of the national electricity transmission system which are <ul style="list-style-type: none"> a. owned or operated by a transmission licensee within its transmission area; or b. operated by the system operator
"National Consumer Council"	means the body of that name established by part 1, section 1 of the Consumers, Estate Agents and Redress Act 2007 in the version before it was substituted by paragraph 12 of Part 1 (Amendments to Acts) of Schedule 1 of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's functions in relation to Estate Agents etc) Order 2014.
"national electricity transmission system"	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity but shall not include any remote transmission assets ³ .
"national electricity transmission system operator" ⁴	means the specified area defined in Schedule 1 of the system operator's transmission licence.
Negative Rating Action	means a rating agency placing a rating on Negative Watch or a rating agency downgrading a rating to a lower rating.
Negative Watch	means the mechanism or mechanisms used by the relevant credit rating agency to identify an issuer that is at risk of a credit rating downgrade in the short or long term, including but not limited to negative designations of S&P CreditWatch, S&P Outlook, Fitch

³ Additional text inserted by Special Condition 1.2

⁴ NB. This should refer to "national electricity transmission system operator area" but the word "area" was omitted from the text as designated by the Secretary of State on 16 June 2009

	Rating Watch, Fitch Outlook, Moody’s Watchlist, or Moody’s Rating Outlook, as defined on the relevant rating agencies’ websites from time to time.
NIC funding mechanism	has the meaning given in Special Condition 1.1 (Interpretation and definitions) of the system operator’s transmission licence.
“offshore transmission”	has the meaning given at section 6C of the Act
“offshore transmission go-active”	means the date on which the Secretary of State first makes changes using powers pursuant to section 90 or section 91 of the Energy Act 2004;
“offshore transmission go-live”	means the date on which the last of sections 89 of the Energy Act 2004, 180 of the Energy Act 2004 and section 44(3) of the Energy Act 2008 is commenced by the Secretary of State (irrespective of which of these three provisions is the last to be commenced).
“offshore transmission implementation period”	means the period ending 18 months after offshore transmission go-active;
“offshore transmission implementation plan”	means the plan issued by the Secretary of State and the Authority (as amended) detailing the activities that are considered necessary or appropriate for the implementation of offshore transmission
“offshore transmission owner”	means the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section E (offshore transmission owner standard conditions) Direction and where Section E remains in effect (whether or not subject to any terms included in a Section E (offshore transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).
“offshore transmission system”	means a transmission system that is used for purposes connected with offshore transmission.
“participating interest”	has the meaning given in Section 421A of the Financial Services and Markets Act 2000

"party entry processes"	for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.
"permitted purpose"	<p>means the purpose of any or all of the following:</p> <ul style="list-style-type: none"> (a) the transmission business, or any business or activity within the limits of paragraph 4 of standard condition B6 or E7 (Restriction on activity and financial ringfencing); (b) any business or activity to which the Authority has given its consent in writing in accordance with paragraph 3(d) of standard condition B6 or E7 (Restriction on activity and financial ringfencing); (c) without prejudice to the generality of subparagraphs (a) and (b), any payment or transaction lawfully made or undertaken by the licensee for a purpose within subparagraphs (i) to (vii) of standard condition B9 or E10, 1(b) (Indebtedness)
"Pooling and Settlement Agreement"	means the agreement of that title approved by the Secretary of State as from time to time amended.
Potential Mitigating Actions	<p>means actions designed to improve the Issuer Credit Rating, Significant Instrument Credit Rating and/or financial resilience, including but not limited to:</p> <ul style="list-style-type: none"> (a) dividend restraint; (b) equity injection or other additional sources of finance; (c) profiling of investment within the Price Control Period; (d) cost reduction; (e) profiling of financial liabilities within the Price Control Period; <li style="padding-left: 20px;">and (f) if relevant, negotiations with lenders regarding covenants and possible exemptions.
Price Control Period	means the period of five years beginning on 1 April 2021 and ending on 31 March 2026.
Published Rating Report	means a rating action announcement, credit opinion report, rating report, research update or transaction update which:

(a) specifically relates to the licensee, and

(b) is published by any rating agency that is paid by the licensee (or a company in the licensee's group) to provide either an Issuer Credit Rating or a Significant Instrument Credit Rating.

"regulatory accounts"	means for the purposes of standard conditions B1 or E2 (Regulatory Accounts), B6 or E7 (Restriction on Activity and Financial Ring Fencing), B7 or E8 (Availability of Resources) only, the accounts required to be prepared by the licensee pursuant to standard condition B1 or E2 (Regulatory Accounts).
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00. The first such Regulatory Year (t=1) commences on 1 April 2021 at 05:00 hours.
"related undertaking"	in relation to the licensee means any undertaking in which the licensee has a participating interest.
"relevant agreement"	for the purposes of standard condition C9 (Functions of the Authority) only, has the meaning given in that condition.
"relevant assets"	for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only has the meaning given in that condition.
"relevant balancing services"	for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition.
"relevant connect and manage derogation report"	for the purpose of Section C only has the meaning given in standard condition C1 (Interpretation of Section C)
"Relevant Consumers' Committees"	for the purposes of standard condition A4 (Payments to the Authority) only, has the meaning given in that condition.
"relevant proportion"	for the purposes of standard condition A4 (Payments by to the Authority) only, has the meaning given in that condition.

“relevant year”	for the purposes of standard conditions A4 (Payments to the Authority) and B15 (Regulatory Instructions and Guidance) only, has the meaning given in standard condition A4 (Payments to the Authority).
"relinquishment of operational control"	for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only, has the meaning given in each of those conditions.
"remote transmission assets"	<p>means any electric lines, electrical plant or meters in England and Wales owned by the licensee which:</p> <p>are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and</p> <p>are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator.⁵</p>
“Renewable Energy Zone”	means an area designated by Order in Council under section 84(4) of the Energy Act 2004.
“Retail Price Index”	<p>means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:</p> <p>(a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances; or</p> <p>(b) if there is a material change in the basis of the index, such other index as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances.</p>

⁵ Additional text added from Special Condition 1.2

“Retained EU Law”	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
“Scottish grid code”	means a grid code which a Scottish licensee is obliged to maintain pursuant to standard condition D9 (Licensee's grid code) of that Scottish licensee’s transmission licence and references in standard condition D3 (Transmission system security standard and quality of service), standard condition D9 (Licensee's grid code), standard condition D10 (Supplementary grid code condition) and standard condition D13C (Functions of the Authority) to the “licensee’s grid code” shall be construed accordingly.
“Scottish licensee”	means the holder of a transmission licence at the date that this condition takes effect in the licensee’s transmission licence but shall not include the system operator nor any offshore transmission owner.
"Secretary of State's costs"	for the purposes of standard condition A4 (Payments to the Authority) has the meaning given in that condition.
"Section B (General) Direction"	means a direction issued by the Authority in accordance with standard condition A5 (Application of Section B).
"Section C (system operator standard conditions) Direction"	means a direction issued by the Authority or the Secretary of State, where appropriate, in accordance with standard condition A2 (Application of Section C).
"Section D (transmission owner standard conditions) Direction"	means a direction issued by the Authority in accordance with standard condition A3 (Application of Section D).
“Section E (offshore transmission owner of last resort) Direction”	means a direction issued by the Authority in accordance with standard condition B18 or E21 (Offshore Transmission Owner of Last Resort).
"Section E (offshore transmission owner	means a direction issued by the Authority in accordance with standard condition A6 (Application of Section E).

standard conditions)

Direction"

Significant Instrument Credit Rating means an Instrument Credit Rating relating to debt issued by the licensee or a funding vehicle of the licensee which represents more than 10% of the licensee's total debt.

"statutory accounts" means the accounts that the licensee prepares in accordance with Part 15 of the Companies Act 2006.

"STC" means the document required to be in place pursuant to standard condition B12 (System Operator – Transmission Owner Code) as from time to time amended in accordance with that condition.

"STC Framework Agreement" means the agreement of that title, in the form approved by the Secretary of State, by which the STC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.

"STC party" means any person who is a party to the STC Framework Agreement.

"STC party's transmission system" means those parts of the national electricity transmission system planned, owned or operated by an STC party.

"STC procedures" for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.

"subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

"system operator" means the holder for the time being of a transmission licence in relation to which licence the Authority or the Secretary of State, where appropriate, has issued a Section C (system operator standard conditions) Direction and where Section C remains in effect (whether or not subject to any terms included in a Section C (system operator standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).

“tender regulations”	means regulations made by the Authority in accordance with section 6C of the Act.
"TO offer"	means an offer made by a STC party to enter into an agreement with the system operator; <ul style="list-style-type: none"> (a) pursuant to standard condition D4A (Obligations in relation to offers for connection etc), standard condition D16 (Requirements of a connect and manage connection) or standard condition D15 (Obligations relating to the preparation of TO offers during the transition period); or (b) pursuant to standard condition E17(Obligations in relation to offers for connection etc); or (c) pursuant to the STC.
"total system"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
“transitional tender exercise”	has the meaning given at section 6D of the Act.
"transition modification provisions"	for the purposes of each of standard condition B12 (System Operator – Transmission Owner Code), standard condition C3 (Balancing and Settlement Code (BSC)), standard condition C10 (Connection and Use of System Code (CUSC)) and standard condition C14 (Grid Code), has the meaning given in that condition.
"transition period"	means the period commencing on the date on which this condition takes effect in the licensee's transmission licence and ending on the BETTA go-live date.
“transmission area”	means the area specified in special condition 1B of the licensee’s transmission licence.
“transmission assets”	has the meaning given at paragraph 1(3) of Schedule 2A to the Act.
"transmission business"	means the authorised business of the licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance of the licensee's transmission system or the national electricity transmission system or the provision of

transmission services (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Act) or the co-ordination and direction of the flow of electricity onto and over the national electricity transmission system including the balancing services activity, and any business in providing connections to the national electricity transmission system, but shall not include:

- (i) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement;
- (ii) any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons; or
any business of National Grid Electricity System Operator Limited (Company Number 11014226) and its affiliates or related undertakings that is participating in the transmission of electricity pursuant to a transmission licence held by National Grid Electricity System Operator Limited.⁶

“transmission constraint costs”	for the purpose of Section C only has the meaning given in standard condition C1 (Interpretation of Section C)
"transmission licence"	means a licence granted or treated as granted under section 6(l) (b) of the Act.
"transmission licensee"	means the holder for the time being of a transmission licence.
Transmission Network Revenue	means the revenue received by the system operator via Transmission Network Use of System Charges as per Section 14 of the CUSC.
Transmission network use of system charges	has the meaning given to that term in the CUSC Section 14.14.
"transmission network services"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).

⁶ Additional text added from Special Condition 1.2

"transmission owner"	means the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section D (transmission owner standard conditions) Direction and where Section D remains in effect (whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).
"transmission reinforcement works"	for the purposes of sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
"transmission services"	means those services which are provided or are to be provided to the system operator by another transmission licensee pursuant to standard condition D2 or E15 (Obligation to provide transmission services).
"ultimate controller"	means <ul style="list-style-type: none"> (a) a holding company of the licensee which is not itself a subsidiary of another company; and (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of: <ul style="list-style-type: none"> (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or for which he is a beneficiary but excluding any director or employee of a corporate body in his capacity as such (c) for the purposes of sub-paragraph (b) a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph; and (d) for the purposes of sub-paragraph (b), rights under contractual arrangements shall not include any rights in or arising under the STC Framework Agreement which are

exercisable by a transmission licensee over the activities of, or as against, another transmission licensee.

“undertaking”	means an undertaking within the meaning of section 1161 of the Companies Act 2006.
"use of interconnector"	means use of any interconnector for the conveyance of electricity (whether in both directions or in only one).
"use of system"	means use of the national electricity transmission system for the transport of electricity by any authorised electricity operator.
"use of system charges"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
"use of system charging methodology"	for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).
“vertically integrated undertaking”	means an electricity undertaking or a group of electricity undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings perform in the European Economic Area at least one of the functions of transmission or distribution and at least one of the functions of generation or supply of electricity. The terms within this definition shall have the meaning given to them by the Electricity Directive.
“wider works”	for the purposes of standard condition B19 and Section C has the meaning given in standard condition C1 (Interpretation of Section C) and for the purposes of Section D has the meaning given in standard condition D1 (Interpretation of Section D)

2. Any word or expressions used in the Utilities Act 2000, Part I of the Act or the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning when used in the standard conditions.
3. Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or Schedule is a reference to the standard condition (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the

paragraph bearing that number in the standard condition or Schedule in which the reference occurs, and reference to a Section is a reference to that Section in these standard conditions.

4. These standard conditions have effect as if in relation to a licence holder who is a natural person, for the words “it”, “its” and “which” there were substituted the words “he”, “him”, “his”, and “whom”, and cognate expressions are to be construed accordingly.
5. Except where the context otherwise requires, a reference in a standard condition to a paragraph is a reference to a paragraph of that standard condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.
6. Any reference in these conditions to
 - (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity generation licences;
 - (c) a provision of the standard conditions of electricity distribution licences;
 - (d) a provision of the standard conditions of electricity supply licences; and
 - (e) a provision of the standard conditions of electricity interconnector licences,

will, if these standard conditions or the standard conditions in question come to be modified, be construed so far as the context permits, as a reference to the corresponding provision of these standard conditions or the other standard conditions in question as modified.

7. In construing the standard conditions, the heading or title of any standard conditions or paragraph shall be disregarded.
8. Any reference in a standard condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence and as incorporated in each other licence under section 6(1)(b) of the Act (whenever granted) which incorporates it.
9. Where any obligation under, in or pursuant to the licence is required to be performed by a specified date or within a specified period, and where the licensee has failed so to perform by such date or within such period, such obligation will continue to be binding and enforceable after the specified date or after the expiry of the specified period (but without prejudice to all rights and remedies available against the licensee by reason of the licensee’s failure to perform by that date or within that period).
10. Anything required by or under these standard conditions to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case
 - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first class post as soon as is reasonably practicable, and

- (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.

11. The definitions referred to in this condition may include some definitions which are not used or not used exclusively in Sections A and B (which Sections are incorporated in all transmission licences). Where:

- (a) any definition is not used in Sections A and B, that definition will, for the purposes of this licence, be treated:
 - (i) as part of the standard condition or conditions (and the Section) in which it is used;
 - (ii) as not having effect in the licence until such time as the standard conditions in which the definition is used has effect within the licence in pursuance of standard condition A2 (Application of Section C), standard condition A3 (Application of Section D) or standard condition A6 (Application of Section E);
- (b) any definition which is used in Sections A and B and is also used in one or more other Sections:
 - (i) will only be modifiable in accordance with the modification process applicable to each of the standard conditions in which it is used; and
 - (ii) if any such standard condition is modified so as to omit that definition, then the reference to that definition in this condition will automatically cease to have effect.

Condition A2: Application of Section C

1. The standard conditions in Section C (in whole or, as the case may be, in part) shall not have effect in this licence; and the licensee shall not be obliged to comply with the requirements of Section C (in whole or, as the case may be, in part) of this licence until the Secretary of State or the Authority has issued to the licensee a direction in accordance with paragraph 2.
2. (a) The Secretary of State may issue a direction (a "Section C (system operator standard conditions) Direction") on or before 8 September 2004.
(b) The Authority may issue a Section C (system operator standard conditions) Direction on or after 9 September 2004.

Where the Secretary of State or the Authority has issued a Section C (system operator standard conditions) Direction to the licensee, the standard conditions in Section C (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section C (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

3. The Authority may, with the consent of the licensee:
 - (a) vary the terms (as set out in the Section C (system operator standard conditions) Direction or elsewhere) under which Section C (or parts thereof) has effect in this licence; or
 - (b) provide for Section C (or parts thereof) to cease to have effect in this licence.
4. The variation or cessation provided for in paragraph 3 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority.
5. With effect from the date of cessation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A3: Application of Section D

1. The standard conditions in Section D (in whole or, as the case may be, in part) shall not have effect in this licence; and the licensee shall not be obliged to comply with the requirements of Section D (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.
2. The Authority may issue a direction (a "Section D (transmission owner standard conditions) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section D (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section D (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
3. The Authority may, with the consent of the licensee:
 - (a) vary the terms (as set out in the Section D (transmission owner standard conditions) Direction or elsewhere) under which Section D (or parts thereof) has effect in this licence; or
 - (b) provide for Section D (or parts thereof) to cease to have effect in this licence.
4. The variation or cessation provided for in paragraph 3 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority.
5. With effect from the date of cessation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A4: Payments by Licensee to the Authority

1. This condition applies where the licensee has been issued with a Section C (system operator standard conditions) Direction which is still in effect.
2. Where Paragraph 1 applies, the licensee shall, at the times stated, pay to the Authority such amounts as are determined by or under this condition.
3. In respect of each relevant year at the beginning of which the licensee holds this licence, the licensee shall pay to the Authority the aggregate of:
 - (a) an amount which is the appropriate proportion of the costs of the Authority during the year in question;
 - (b) the appropriate proportion of the costs of Citizens Advice (including expenses relating to taking on functions transferred from the National Consumer Council but not including expenses within paragraph (e));
 - (c) the appropriate proportion of the costs of Citizens Advice Scotland (including expenses relating to taking on functions transferred from the National Consumer Council but not including expenses within paragraph (f));
 - (d) an amount which is the appropriate proportion of the costs of the Secretary of State or the Gas and Electricity Consumer Council during the year in question which relate to a transfer scheme made in respect of the Gas and Electricity Consumer Council under section 35(2) (a) or (7) of the Consumers, Estate Agents and Redress Act 2007;
 - (e) The appropriate proportion of the costs of Citizens Advice which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;
 - (f) The appropriate proportion of the costs of Citizens Advice which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;
 - (g) an amount which is the appropriate proportion of the costs of the Secretary of State which relate to the abolition of the Gas and Electricity Consumer Council during the year in question;
 - (h) the appropriate proportion of the costs of the Secretary of State which relate to the abolition of the National Consumer Council and the transfer of functions to Citizens Advice and Citizens Advice Scotland;
 - (i) the appropriate proportion of the costs of the Secretary of State which relate to the transfer of functions and the conferring of functions on Citizens Advice and Citizens Advice Scotland by the Public Bodies (Abolition of the National

Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014 (S.I. 2014/...);

- (j) the appropriate proportion of the costs of the Secretary of State which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;
- (k) an amount which is the appropriate proportion of the costs of the Citizens Advice or Citizens Advice Scotland on, or in connection with, the support of any qualifying public consumer advice scheme that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;
- (l) an amount that is the appropriate proportion of the costs of the Secretary of State during the year in question in respect of
 - (i) payments made by the Secretary of State by virtue of paragraph 4(2) or (2A) of Schedule 7 to the Act (payments relating to meter examiners);
 - (ii) any other costs incurred by the Secretary of State in performing functions conferred by Schedule 7 to the Act or by electricity meter regulations (as defined in section 95(5) of the Energy Act 2008); and
- (m) an amount which is the appropriate proportion of the difference (being a positive or negative amount), if any, between:
 - (aa) any costs estimated by the Authority in the previous relevant year under sub-paragraphs 3(a) - 3(l); and
 - (bb) the actual costs of the Authority, the National Consumer Council, Citizens Advice or Citizens Advice Scotland and the Secretary of State for the previous relevant year.

4. The amounts determined in accordance with paragraph 3 shall be paid by the licensee to the Authority in two instalments, with:
- (a) the first instalment being due for payment by 30 June in each relevant year; and
 - (b) the second instalment being due for payment by 31 January in each relevant year

provided that, in each case, if the Authority has not given notice of the amount of the instalment due at least 30 days before the payment date stated above, the licensee shall pay the amount due within 30 days from the actual giving of notice by the Authority to the licensee (whenever notice is given).

5. If the licensee fails to pay the amount determined in accordance with paragraph 2 within 30 days of the payment date determined in accordance with paragraph 3, it shall with effect from that payment date pay simple interest on that amount at the rate which is from time to time equivalent to the base rate of NatWest Bank plc or, if there is no such base rate, such base rate as the Authority may designate for the purposes hereof.

6. In this condition:

" costs" means costs estimated by the Authority as likely to be or have been:
the costs of -
(i) the Authority calculated in accordance with principles determined by the Authority for the purposes of this condition generally (after consultation with the licensee and others likely to be affected by the application of such principles) and notified to the licensee; and
(ii) Citizens Advice or Citizens Advice Scotland as the case may be; and
(iii) the Secretary of State

"appropriate proportion" means the proportion of the costs attributable to the licensee in accordance with principles determined by the Authority for the purposes of this condition generally (after consultation with the licensee and others likely to be affected by the application of those principles) and notified to the licensee;
and

"relevant year" means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

Condition A5: Application of Section B

1. The standard conditions in Section B (in whole or, as the case may be, in part) shall have effect in this licence; and the licensee shall be obliged to comply with the requirements of Section B (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.
2. The Authority may issue a direction (a "Section B (General) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section B (in whole or, as the case may be, in part) shall cease to have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of Section B (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
3. The Authority may, with the consent of the licensee:
 - (a) vary the terms (as set out in the Section B (General) Direction or elsewhere) under which Section B (or parts thereof) shall have effect in this licence; or
 - (b) provide for Section B (or parts thereof) to have effect in this licence.
4. The variation or cessation and reactivation provided for in paragraph 3 shall take effect from the date specified in the notice given to the licensee by the Authority for this purpose.
5. With effect from the date of cessation and reactivation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A6: Application of Section E

1. The standard conditions in Section E (in whole or, as the case may be, in part) shall not have effect in this licence; and the licensee shall not be obliged to comply with the requirements of Section E (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.
2. The Authority may issue a direction (a "Section E (offshore transmission owner standard conditions) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section E (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section E (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
3. The Authority may, with the consent of the licensee:
 - (a) vary the terms (as set out in the Section E (offshore transmission owner standard conditions) Direction or elsewhere) under which Section E (or parts thereof) have effect in this licence; or
 - (b) provide for Section E (or parts thereof) to cease to have effect in this licence.
4. The variation or cessation and reactivation provided for in paragraph 3 shall take effect from the date specified in the notice given to the licensee by the Authority for this purpose.
5. With effect from the date of cessation and reactivation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

SECTION B. GENERAL

Condition B1: Regulatory Accounts

Introduction

1. This condition applies to regulatory accounts prepared for financial years commencing on or after 1 April 2013 for the purpose of ensuring that the licensee:
 - (a) prepares and publishes regulatory accounts within the meaning of Part A below; and
 - (b) maintains (and ensures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to comply with that obligation.

Part A: Preparation of regulatory accounts

2. For the purposes of this condition, but without prejudice to the requirements of Part C below, the licensee must prepare regulatory accounts for each financial year, for each of the following businesses of the licensee, where applicable:
 - (a) the consolidated transmission business;
 - (b) any de minimis business within the meaning of paragraph 4 of Standard Condition B6 (Restriction of activity and financial ring-fencing);
 - (c) other activities to which this licence relates and to which the Authority has given its consent in accordance with paragraph 3(d) of Standard Condition B6 (Restriction on activity and financial ring-fencing); and
 - (d) the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within sub-paragraphs (a) to (c), where applicable.
3. Except and so far as the Authority otherwise consents, the regulatory accounts should be prepared under the same applicable accounting framework as the most recent or concurrent statutory accounts of the licensee.
4. Except and so far as the Authority otherwise consents, the licensee must comply with the obligations imposed by the following paragraphs of this Part A in relation to the preparation of regulatory accounts.
5. The licensee must keep or cause to be kept, for a period approved by the Authority, but not less than the period referred to in section 388(4)(b) of the Companies Act 2006 and in the manner referred to in that section, such accounting records and other records as

are necessary to ensure that all the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, each of the businesses or activities identified in paragraph 2 are separately identifiable in the accounting records of the licensee (and any affiliate or related undertaking of the licensee) from those of any other business of the licensee.

6. The regulatory accounts are to be prepared on a consistent basis from the accounting records and other records referred to in paragraph 5 in respect of each financial year, and must comprise:
 - (a) the matters set out in paragraph 7; supported by
 - (b) the matters mentioned in paragraph 8; and
 - (c) the statement required by paragraph 9.

7. The matters to which paragraph 6(a) refers are:
 - (a) an income statement and a statement of comprehensive income (or, as appropriate, a profit and loss account and, as appropriate, a statement of total recognised gains and losses);
 - (b) a statement of changes in equity, if appropriate;
 - (c) a statement of financial position (or, as appropriate, a balance sheet);
 - (d) a statement of cash flows (or, as appropriate, a cash flow statement);
 - (e) a corporate governance statement in respect of the whole business to which this licence relates;
 - (f) a directors' report in respect of the whole business to which this licence relates; and
 - (g) a business review in respect of the whole business to which this licence relates.

8. The matters to which paragraph 6(b) refers are set out in explanatory notes to the regulatory accounts that:
 - (a) provide a summary of the accounting policies adopted by the licensee for the purpose of producing regulatory accounts;
 - (b) comply with the requirements applicable for preparing annual accounts in Chapter 4 of Part 15 of the Companies Act 2006 and of the reporting requirements of the applicable accounting framework; and
 - (c) provide segmental information for each of the transmission business activities of the licensee.

Part B: Bases of charge or apportionment

9. Subject to paragraph 10, the licensee must include within its regulatory accounts, a statement in respect of the consolidated transmission business that shows separately and in appropriate detail the amount of any revenue, cost, asset, liability, reserve, or provision which has been:
 - (a) charged from any ultimate controller of the licensee, or from any subsidiary of such ultimate controller (other than the licensee or its subsidiaries), in relation to the provision of goods or services to the licensee; or
 - (b) charged from the licensee, or from any subsidiary of the licensee, in relation to the provision of goods or services to any ultimate controller of the licensee, or to any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries); or
 - (c) determined by apportionment or allocation between the consolidated transmission business and any other business of the licensee or affiliate or related undertaking (and, where this sub-paragraph applies, the statement must include a description of the basis of the apportionment or allocation).
10. The requirements of paragraph 9 apply only in respect of goods and services received or supplied for the purposes of the consolidated transmission business.
11. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written consent, the licensee must not in relation to the regulatory accounts in respect of any financial year change the bases of charge, apportionment, or allocation referred to in paragraph 9 from those applied in respect of the immediately preceding financial year.
12. Where the licensee has, in accordance with paragraph 11 above, changed its bases of charge, apportionment, or allocation or changed any of its accounting policies or the manner of their application from those adopted for the immediately preceding financial year, then the licensee must, if so directed by the Authority, in addition to preparing regulatory accounts on the changed bases that it has adopted, also prepare such regulatory accounts by reference to the bases, accounting policies, and manner of application that applied in respect of the immediately preceding financial year.

Part C: Consistency with statutory accounts

13. Regulatory accounts and information prepared under Parts A and B above must, so far as is reasonably practicable and except so far as the Authority otherwise consents, having regard to the purposes of this condition:
- (a) have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under Part 15 of the Companies Act 2006; and
 - (b) comply with all relevant accounting and reporting standards currently in force under the applicable accounting framework as set out in Part 15 of the Companies Act 2006.

Part D: Audit and delivery of regulatory accounts

14. Except and so far as the Authority otherwise consents, the licensee must:
- (a) procure an audit by an appropriate auditor of such parts of its regulatory accounts and the directors' report and business review as is specified in the Companies Act 2006 as being required to be so audited if the licensee were a quoted company and those accounts were the statutory accounts of the licensee drawn up to 31 March each financial year and prepared under Part 15 of the Companies Act 2006;
 - (b) procure a report by an appropriate auditor, addressed to the Authority, that states whether in the appropriate auditor's opinion those accounts fairly present the financial position, financial performance, and cash flows of or reasonably attributable to each of the businesses referred to in paragraph 2 in accordance with the requirements of this condition; and
 - (c) deliver those accounts and the Auditor's report required under paragraph 14(b) of this licence condition to the Authority as soon as is reasonably practicable, and in any event before publication of such accounts under Part G below and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

Part E: Terms of appointment of the appropriate auditor

15. For the purposes of Part D above, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the licensee's regulatory accounts must be conducted by that appropriate auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with the provisions of Part 15 of the Companies Act 2006.

Part F: Agreed upon procedures for the appropriate auditor

16. The licensee must at its own expense enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures that are to apply for the purposes of enabling that Auditor to review:
 - (a) the licensee's compliance with its obligations in respect of the prohibition of cross-subsidy and discrimination generally and, in particular, to the extent that they apply to the licensee, under standard conditions B5 (Prohibition of cross subsidies), C7 (Prohibition on discrimination between users), C8 (Requirement to offer terms), and D5 (Prohibition on engaging in preferential or discriminatory behaviour) of this licence; and
 - (b) the statement that by virtue of Part B above is required to be included in the regulatory accounts concerning the bases of charge, apportionment, and allocation applied by the licensee in relation to those accounts.

17. The contract of appointment must require that the agreed upon procedures are conducted in relation to each financial year and that the licensee will arrange for the appropriate auditor to address a report to the Authority by 31 July following the end of each such year which:
 - (a) states that he has, in a manner consistent with the relevant auditing standards, completed the agreed upon procedures issued by the Authority in respect of the financial year under report; and
 - (b) sets out his findings.

18. If the Authority is satisfied that the appropriate auditor's report submitted under this Part F demonstrates that the licensee has complied with the obligations to avoid discrimination and cross-subsidies that are imposed on the licensee, the report is to be deemed to represent the results of an audit of those obligations.

Part G: Publication and provision of regulatory accounts

19. Unless the Authority, after consulting with the licensee, otherwise directs, the licensee must publish its regulatory accounts (excluding the statement required to be included in them by virtue of Part B above and any other information agreed by the Authority to be confidential):
 - (a) as a stand-alone document in accordance with this condition;
 - (b) by 31 July after the end of the financial year to which the accounts relate;

- (c) on, and in a way that is accessible from, its website or that of an affiliate or ultimate controller of the licensee provided that link is both clear and readily accessible; and
- (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.

20. A copy of the regulatory accounts must be provided free of charge:

- (a) to Citizens Advice and Citizens Advice Scotland (or any successor entity), no later than the date on which the regulatory accounts are published; and
- (b) to any person requesting a copy.

Part H: Interpretation and definitions

21. Any consent or direction by the Authority given in relation to a provision of this condition may be given in relation to some or all of the requirements of the relevant provision and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.

22. The requirement under paragraph 7 of this condition for the licensee to include a business review, a corporate governance statement, and a directors' report in its regulatory accounts is to be read as if the requirement applied to the licensee as a quoted company, whether or not it is such a company, such that:

- (a) the business review has the coverage and content of the business review that a quoted company is required to prepare under section 417 of the Companies Act 2006;
- (b) the corporate governance statement has the coverage and content of a corporate governance statement that a quoted company is required to prepare under the UK Corporate Governance Code issued under the UK Listing Authority's listing rules and interpretations on corporate governance; and
- (c) the directors' report has the coverage and content of the directors' report that a quoted company is required to prepare under sections 415, 416, 417, 418(2), and 419(3) and (4) of the Companies Act 2006.

23. For the avoidance of doubt, the licensee should prepare regulatory accounts for the financial year commencing on or after 1 April 2012 in accordance with the licence condition in force as at 31 March 2013.

24. For the purposes of this condition:

agreed upon procedures	means procedures from time to time agreed between the Authority, the appropriate auditor, and the licensee for the purpose of enabling the appropriate auditor to review and report to the Authority on matters relating to the requirements referred to at paragraph 16 of this condition.
applicable accounting framework	<p>means:</p> <ul style="list-style-type: none"> (a) in accordance with section 396 of the Companies Act 2006 (“Companies Act individual accounts”), or in accordance with international accounting standards (“IAS individual accounts”) or (b) in accordance with section 403 Companies Act group accounts, or IAS group accounts.
appropriate auditor	<p>means:</p> <ul style="list-style-type: none"> (a) in the case of a licensee that is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act; (b) in the case of any other licensee that is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to those of Chapter 2 of Part 16 of that Act, a person so appointed; and (c) in any other case, a person who is eligible for appointment as a company auditor under Part 42 of that Act.
quoted company	has the meaning given to that term in section 385 of the Companies Act 2006;
segmental information	means such financial and descriptive information in respect of the transmission business activities of the licensee as would be required to be disclosed under International Financial Reporting Standard 8 (or Statement of Standard Accounting practice 25, or successor standards under any applicable accounting framework) if each of those activities was an operating segment (or reportable segment) of the licensee within the meaning of the respective standards;

system operator activity	means the balancing services activity, as that term is defined in standard condition C1 (Interpretation of Section C);
transmission business activities	means the following activities of the licensee, in each case to the extent applicable: <ul style="list-style-type: none"> (a) the transmission owner activity; and (b) the system operator activity;
transmission owner activity	means: <p>the activity permitted to the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section D (transmission owner standard conditions) Direction and where Section D remains in effect whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject);</p>
UK Listing Authority	has the meaning given in section 72 of the Financial Services and Markets Act 2000 and refers to the Financial Services Authority when it acts in its capacity as the competent authority for the purposes of that section.

Condition B3: Disposal of relevant assets and restrictions on charges over receivables

1. The licensee must not dispose of or relinquish operational control over any relevant asset except in accordance with the provisions of this condition.
2. Subject to paragraph 3, the licensee must not, after 1 April 2013, grant any mortgage, charge, or other form of security over any receivable except in accordance with the provisions of this condition.
3. The licensee may permit any mortgage, charge, or other form of security over any receivable in effect at the date mentioned in paragraph 2 to remain in effect and may vary its terms so long as the variation does not have the effect of materially extending the scope of the mortgage, charge, or other form of security insofar as it applies to the licensee's receivables.
4. Save as provided in paragraphs 5 or, as applicable, 6, or 8 the licensee shall give to the Authority not less than two months' prior written notice of:
 - (a) its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset; or
 - (b) its intention to grant any mortgage, charge, or other form of security over any receivable or class or classes of receivables together with such further information as the Authority may request relating to such receivable, class or classes of receivables or the circumstances of the intended grant of the mortgage, charge or other form of security.
5. Notwithstanding paragraphs 1 and 4(a), the licensee may dispose of or relinquish operational control over any relevant asset where:-
 - (a) the Authority has issued directions for the purposes of this condition containing a general consent (whether or not subject to conditions) to:
 - (i) transactions of a specified description; or
 - (ii) the disposal of or relinquishment of operational control over relevant assets of a specified description; and

- (iii) the transaction or the relevant assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject;

or

- (b) the disposal or relinquishment of operational control in question is to another transmission licensee and is required by or under standard condition B12 (System Operator – Transmission Owner Code).

6. Notwithstanding paragraphs 2 and 4(b), the licensee may grant a mortgage, charge, or other form of security over a receivable or class or classes of receivables where:

- (a) the indebtedness of the licensee which is to be secured represents the novation or rollover of existing indebtedness; and
- (b) the proceeds of the indebtedness of the licensee which is to be secured are used to repay the existing indebtedness referred to in sub-paragraph (a).

7. For the purposes of paragraph 6, what is meant in any particular case by:

- (a) “existing indebtedness”; and
- (b) “proceeds of the indebtedness”

is to be treated as a question of fact.

8. Notwithstanding paragraphs 1, 2 and 4, the licensee may dispose of or relinquish operational control over any relevant asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation of the Council or Commission of the European Union that has effect in EU law immediately before IP completion day.

9. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any relevant asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable as is specified in any notice given under paragraph 4 where:

- (a) the Authority confirms in writing that it consents to such disposal or relinquishment or grant (which consent may be made subject to acceptance by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify); or

- (b) the Authority does not inform the licensee in writing of any objection to such disposal, relinquishment or grant within the notice period referred to in paragraph 4.

10. In this condition:

"disposal"	includes
	(a) in relation to disposal of a relevant asset situated in England and Wales any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition;
	(b) in relation to disposal of a relevant asset situated in Scotland, the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land;
	and "dispose" and cognate expressions shall be construed accordingly.
"receivable"	means a contractual right to receive any sum or sums or any other financial asset from another person.
"relevant asset"	means any asset for the time being forming part of the national electricity transmission system, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property).
"relinquishment of operational control"	includes, without limitation, entering into any agreement or arrangement whereby operational control of a relevant asset or relevant assets is not or ceases to be under the sole management of the licensee.

Condition B4: Provision of information to the Authority

1. Subject to paragraphs 5 and 7, the licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:
 - (a) any functions transferred to or conferred on it by or under the Utilities Act 2000; and
 - (b) the regulatory functions conferred on the Authority by other statute or enactment.
2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that the ultimate controller ("the information covenantor") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and the licensee's subsidiaries) will give to the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.
3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.
4. The licensee shall not, except and so far as the Authority otherwise consents, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
 - (a) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or
 - (b) there is an unremedied breach of such undertaking; or
 - (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.

5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 47 of the Act.
6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as the transmission licensee) which the Authority proposes to publish pursuant to section 48 of the Act.
7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
8. In calling for information under this condition the Authority may call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Condition B5: Prohibition of cross-subsidies

1. The licensee shall procure that the transmission business shall not give any cross subsidy to, or receive any cross-subsidy from, any other business of the licensee or of an affiliate or related undertaking of the licensee

Condition B6: Restriction on Activity and Financial Ring Fencing

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transmission business
- 1A. The licensee must not own, develop, manage or operate an electricity storage facility, except where the licensee owns or operates an electricity storage facility which is situated on a site on which the licensee carries out its transmission business, for the purpose of continuity of supply and system resilience, or energy management and the electricity storage facility is not used to buy or sell electricity in the electricity markets.
 2. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:
 - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;
 - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the transmission business; or
 - (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom.
3. Subject to the provisions of paragraph 2, nothing in this condition shall prevent:
 - (a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;
 - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;
 - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
 - (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
4. Subject to paragraph 1A, Nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a "relevant associate") from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are

complied with:

- (a) For the purpose of this paragraph, “de minimis business” means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:
 - (i) the transmission business; and
 - (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).
- (b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:
 - (i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the transmission business, as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 3(b) of standard condition B1 (Regulatory Accounts); and
 - (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in the licensee’s transmission licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 3(b) of standard condition B1 (Regulatory Accounts) then available.
- (c) For the purpose of sub-paragraph (b) above, “investment” means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
- (d) At any relevant time, the amount of an investment shall be the sum of:
 - (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to the date this condition comes

into effect in the licensee's transmission licence (or, where the investment was not so included, zero);

- (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and
- (iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,

less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect of such investment in all completed accounting reference periods since the accounting reference date referred to in sub-paragraph (d)(i).

5 For the purposes of paragraph 4, "equity share", in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

6 In this condition:

"electricity markets" means markets for electricity, including over-the-counter markets and electricity exchanges, markets for the trading of energy, capacity, balancing and ancillary services in all timeframes, including forward, day-ahead and intraday markets;

"electricity storage" means the conversion of electrical energy into a form of energy that can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy;

"electricity storage facility" means a facility where electricity storage occurs; and

"system resilience" means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity."

Condition B7: Availability of Resources

1. The licensee shall at all times act in a manner calculated to secure that it has available to it such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:
 - (a) to properly and efficiently carry on the transmission business; and
 - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to the transmission business including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission;

Certificates for the Authority in relation to financial resources

2. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1F**

“After making enquiries and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.”

or

(b) **Certificate 2F**

“After making enquiries, and subject to what is explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate. However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee's ability to carry on the transmission business [*followed by a description of the factors concerned*].”

or

(c) **Certificate 3F**

“In the opinion of the licensee’s directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.”

Statement of factors and report by auditors in relation to financial resources certificate

3. The licensee must ensure that the certificate given to the Authority under paragraph 2 is accompanied by:
- (a) a statement of the main factors that the licensee’s directors have taken into account in giving that certificate including reference to:
 - (i) the main financial resources and financial facilities available to the licensee;
 - (ii) the most recent cash flow statement prepared for the licensee;

and

- (b) a report prepared by its auditors and addressed to the Authority which states whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it under sub-paragraph (a) and, on the other hand, any information that they obtained during their audit work under standard condition B1 (Regulatory Accounts) on the licensee’s regulatory accounts.

Certificates for the Authority in relation to operational resources

4. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1R**

“After making enquiries the licensee’s directors have a reasonable expectation that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the

transmission business for a period of 12 months from the date of this certificate.”

or

(b) **Certificate 2R**

“After making enquiries, and subject to what is explained below, the licensee’s directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.

However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee’s ability to carry on the transmission business [*followed by a description of the factors concerned*].”

or

(c) **Certificate 3R**

“In the opinion of the licensee’s directors, the licensee will not have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.”

Statement of factors in relation to operational resources certificate

5. The licensee must ensure that the certificate given to the Authority under paragraph 4 is accompanied by a statement of the main factors that the licensee’s directors have taken into account in giving that certificate.

Certificate for the Authority in relation to compliance with certain standard licence conditions

6. With effect from 1 August 2013, the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) **Certificate 1C**

“After making enquiries the licensee’s directors consider that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness).”

or

(b) **Certificate 2C**

“In the opinion of the licensee’s directors, the licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness).”

Obligation to report any adverse circumstances

7. The licensee must inform the Authority in writing immediately if:
 - (a) the directors of the licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 2(a), 2(b), 4(a) or 4(b); or
 - (b) the directors of the licensee consider that any adverse circumstances that caused them to give the Authority a certificate in the form of Certificate 3F under paragraph 2(c) or Certificate 3R under paragraph 4(c) have materially worsened.

Certificates for the Authority in relation to dividends

8. Subject to paragraph 11, the directors of the licensee must not declare or recommend a dividend, and the licensee must not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the Companies Act 2006, or redeem or repurchase any share capital of the licensee, unless before declaring, recommending, or making the distribution, redemption, or repurchase (as the case may be) the

licensee has given the Authority a certificate that complies in all respects with the three requirements set out in paragraphs 9 and 10 below.

9. The first requirement is that the certificate must be in the following form:

“After making enquiries, the directors of the licensee are satisfied:

- (a) that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all the obligations imposed on it by standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness);

and

- (b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future.”

10. The second and third requirements are that the certificate:

- (a) must have been approved by a resolution of the licensee’s board of directors passed not more than 14 days before the date on which the declaration, recommendation, or payment is to be made; and
- (b) must be signed by a director of the licensee.

11. The licensee need not give the Authority a certificate of the type referred to in paragraph 8 in circumstances where:

- (a) during the three months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the Authority a certificate in the form of Certificate 1C under the requirement set out in paragraph 6 of this condition; and
- (b) that certificate includes an appropriate addendum using the wording given at paragraph 9(b) of this condition.

12. Where the certificate given under paragraph 8, or relied upon under paragraph 11, relates to the declaration or recommendation of a dividend, the licensee is under no

obligation to issue a further certificate before paying that dividend so long as such payment is made within six months of the date on which the certificate was given.

Requirement to maintain an Intervention Plan

13. The licensee must prepare by 1 April 2014, or within 12 months of this condition coming into effect in respect of the licensee, whichever is the later, and thereafter, maintain an intervention plan fulfilling the criteria described in the definition of intervention plan in paragraph 15 below.
14. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan in paragraph 15 below to be included in the intervention plan will be satisfied if the plan provides details of other documents or records (including electronic records) where that information can be readily obtained and those documents or records are either maintained by the licensee itself or are available to the licensee at all times under a legal or contractual right.

Interpretation

15. In this condition:

“associate” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“intervention plan” means a document or set of documents (which may be in a suitably secure electronic format) containing information that would be sufficient to allow an energy administrator (within the meaning of Chapter 3 of Part 3 of the Energy Act 2004) readily to obtain information on:

- (a) the financial assets, resources, and facilities of the licensee;

- (b) the non-financial assets, rights, and resources of the licensee including information on key management and operational personnel and information technology systems;
- (c) the liabilities of the licensee, including contingent and contractual liabilities, with counterparty and maturity information;
- (d) the tax affairs of the licensee;
- (e) the personnel of the licensee and any pension schemes sponsored or administered by the licensee;
- (f) any mortgages, charges, or other forms of security over the licensee's assets;
- (g) the systems and processes by which the licensee carries on the transmission business with information on any significant contractual arrangements, including those that impose obligations on the licensee;
- (h) any arrangements under which the licensee has relinquished operational control over relevant assets (as that term is defined in Standard Condition B3 (Disposal of relevant assets and restriction on charges over receivables)) to an associate of the licensee;
- (i) any contractual rights to receive cash or other financial assets from any associate of the licensee;
- (j) any contractual obligations to deliver cash or other financial assets to any associate of the licensee; and
- (k) the licensee's arrangements and procedures for ensuring compliance with legislative requirements and with its obligations under this licence, including price control reporting requirements.

“participating owner” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if:

- (a) that other person holds a participating interest in the person; or (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“participating interest” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Condition B8: Undertaking from ultimate controller

1. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that that ultimate controller ("the covenantor") will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is subsidiary of, or is controlled, by, the covenantor (other than the licensee and its subsidiaries) will refrain from any action which would then be likely to cause the licensee to breach any of its obligations under the Act or this licence. Such undertaking shall be obtained within 7 days of the company or other person in question becoming an ultimate controller and shall remain in force for as long as the licensee remains the holder of this licence and the covenantor remains an ultimate controller of the licensee.
2. The licensee shall:
 - (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 1;
 - (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
 - (c) comply with any direction from the Authority to enforce any such undertaking; and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or of any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when,
 - (i) an undertaking complying with paragraph 1 is not in place in relation to that ultimate controller, or
 - (ii) there is an unremedied breach of such undertaking; or
 - (iii) the licensee is in breach of the terms of any direction issued by the Authority under sub-paragraph (c).
3. With effect from 1 August 2013, the licensee must, on or before 31 July of each year, provide the Authority with a schedule of the undertakings obtained in accordance with paragraph 1 that are in force at that time, together with a confirmation that the licensee has sent each of the Ultimate Controllers concerned a letter, within the preceding 12 months, reapprising that Ultimate Controller of the terms of the undertaking that it has given.

Condition B9: Indebtedness

1. In addition to the requirements of standard condition B3 (Disposal of relevant assets and restrictions on charges over receivables), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):

- (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
 - (i) on an arm's length basis;
 - (ii) on normal commercial terms;
 - (iii) for a permitted purpose; and
 - (iv) (if the transaction is within the ambit of standard condition B3 (Disposal of relevant assets and restrictions on charges over receivables) in accordance with that condition);

- (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee otherwise than by way of:
 - (i) a dividend or other distribution out of distributable reserves;
 - (ii) repayment of capital;
 - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
 - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;
 - (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);
 - (vi) payments for group corporation tax relief or for the surrender thereof calculated on a basis not exceeding the value of the benefit received; or
 - (vii) an acquisition of shares or other investments in conformity with paragraph 2 of standard condition B6 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms,

provided however, that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein;

- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or
- (d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation,

provided however that the provisions of sub-paragraphs 1(c) and (d) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
 - (a) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating; or
 - (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.
3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 9, if any of the circumstances set out in paragraphs 4 to 8 applies.
4. The circumstance described by this paragraph is that the licensee does not hold an investment grade issuer credit rating.
5. The circumstance described by this paragraph is that the licensee holds more than one issuer credit rating and one or more of the ratings so held is not investment grade.
6. The circumstance described by this paragraph is that any issuer credit rating held by the licensee is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. or BBB (low) by DBRS Ratings Ltd or any of its affiliates, (or such higher issuer credit rating as may be specified by any of these credit rating agencies from time to time as the lowest investment grade issuer credit rating), or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of standard condition B10 (Credit Rating) and:
 - (a) is on review for possible downgrade; or

(b) is on Credit Watch or Rating Watch with a negative designation;

or, where neither (a) nor (b) applies:

(c) the rating outlook of the licensee as specified by any credit rating agency referred to in this paragraph 6 that at the relevant time has assigned the lower or lowest investment grade issuer credit rating held by the licensee has been changed from stable or positive to negative.

7. The circumstance described by this paragraph is that the licensee has:

(a) given the Authority a certificate in the form of Certificate 3F under the requirement set out in paragraph 2 of standard condition B7 (Availability of resources) and has not subsequently given the Authority a certificate in the form of Certificate 1F or Certificate 2F as set out in the same condition; or

(b) given the Authority a certificate in the form of Certificate 3R under the requirement set out in paragraph 4 of standard condition B7 (Availability of Resources) and:

(i) the opinion expressed in the certificate arises in whole or in part from circumstances affecting an associate of the licensee, and

(ii) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or Certificate 2R as set out in the same condition;

or

(c) informed the Authority of any circumstance of the type referred to at paragraph 7 of standard condition B7 (Availability of resources) and:

(i) the circumstances giving rise to the licensee's report relate to the licensee's financial resources and the licensee has not subsequently given the Authority a certificate in the form of Certificate 1F or 2F as set out in the same condition; or

(ii) the circumstances giving rise to the licensee's report relate to the licensee's operational resources and:

(aa) relate in whole or in part to circumstances affecting an associate of the licensee; and

(bb) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or 2R as set out in the same condition.

8. The circumstance described by this paragraph is that the licensee has, after 1 April 2013, materially breached any formal covenant contained in any loan agreement, commercial paper, bond issue or committed facility that it has entered into with a counterparty, unless one of the following applies:

- (a) the licensee has remedied the breach to the satisfaction of the counterparty concerned;
- (b) the licensee has renegotiated the covenant or arrangement to the satisfaction of the counterparty concerned;

and in either case (a) or (b) the remedy or renegotiation has been notified in writing to the Authority;

or

- (c) in response to a written request from the licensee, either the Authority has confirmed in writing, before the breach occurs, that the breach in question shall not trigger the provisions of paragraphs 3 or 9, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.

9. Where, under the provisions of paragraph 3, the licensee is prohibited from entering into or completing any transaction of a type referred to or described in paragraph 1(b), the licensee may not without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, license or lend any sum or sums, asset, right or benefit (as described or referred to in paragraph 1(b)) to any associate of the licensee, otherwise than by way of:

- (a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the prohibiting circumstances arose, and which are provided on an arm's length basis and on normal commercial terms;
- (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
- (c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the prohibiting circumstances arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and

- (d) payments for group corporation tax relief or the surrender thereof calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

10. In this condition:

“associate” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“participating owner” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“participating interest” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Condition B10: Credit rating of the licensee and related obligations

Introduction

1. The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports.

Part A: Obligation to maintain an Investment Grade Issuer Credit Rating

2. The licensee must use reasonable endeavours to maintain an Investment Grade Issuer Credit Rating at all times.

Part B: Obligation to provide Published Rating Reports

3. Where a Negative Rating Action occurs in respect of the licensee or the licensee's credit rating is withdrawn, it must within a period of ten Working Days beginning with the date of the relevant Published Rating Report:
 - a) notify the Authority; and
 - b) if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

Part C: Obligation to provide Financial Resilience Reports

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of 1 April 2021 or the date of a Negative Rating Action relating to the licensee (whichever is later), if:
 - a) the licensee's highest rating held for an Issuer Credit Rating or highest rating held for a Significant Instrument Credit Rating is one notch higher than the lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;
 - b) the licensee's Issuer Credit Rating or Significant Instrument Credit Rating is at the lowest Investment Grade or lower; or
 - c) the licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating that would, if breached by the licensee, trigger an event of default under the relevant debt documents and that rating is either
 - (i) one notch above the minimum covenant requirement and is on Negative Watch; or

(ii) lower than one notch above the minimum rating specified within the covenant requirement.

5. The Financial Resilience Report must include:

- (a) an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to either operational performance or macro-economic events;
- (b) financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and
- (c) details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.

6. The financial projections required by paragraph 5(b) of this condition must include:

- (a) a forecast balance sheet;
- (b) income statements;
- (c) cashflow statements;
- (d) key financial metric projections; and
- (e) results of any stress tests that the licensee considers to be appropriate.

Condition B11: Security arrangements

1. The licensee shall
 - (a) in respect of its participation in transmission in England and Wales comply with the provisions of the Fuel Security Code and such provisions shall have effect as if they were set out in this licence; and
 - (b) in respect of its participation in transmission in Scotland and if so directed in directions issued by the Authority for the purposes of this condition, not later than such date as may be specified in such directions, enter into an agreement designated by the Secretary of State for the purposes of this condition relating to compliance with directions issued by the Secretary of State under section 34 and/or section 35 of the Act.

2. The licensee shall comply with and perform its obligations under any agreement which it enters into pursuant to paragraph 1(b) above.

Condition B12: System Operator – Transmission Owner Code

1. The licensee shall, in common with those other transmission licensees to which this condition applies, at all times have in force a STC, being a document which:
 - (a) sets out terms as between STC parties whereby the national electricity transmission system and each STC party's transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;
 - (b) set out the terms by which the system operator allocates transmission network revenue, consistent with the principles that the system operator will only allocate invoiced transmission network revenue (net of payments to the Agency, the Authority, electricity interconnector licensees, offshore transmission owners, the system operator, any other parties as directed by the Authority, and payments associated with the NIC Funding Mechanism) to transmission owners. Any difference between invoiced transmission network revenue and maximum revenue will be fully shared between the transmission owners. Each transmission owner's share will be proportionate to their share of maximum revenue as notified to the system operator by the transmission owners. The licensee shall use its reasonable endeavours to ensure terms are in place that facilitate its compliance with the requirements of this condition no later than 1 July 2021, or such other date as directed by the Authority;
 - (c) is designed to facilitate achievement of the objectives set out in paragraph 3;
 - (d) includes the modification procedures required by paragraph 6-6H;
 - (e) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC; and
 - (f) The licensee shall be taken to comply with this paragraph by:
 - (i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect the document designated by the Secretary of State for the purposes of this condition; and
 - (ii) modifying such document from time to time in accordance with the transition modification provisions and the provisions of paragraphs 6-6H and 7 below.
2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the national electricity transmission system and each STC

party's transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided are those which:

- (a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees and STC parties arising under any relevant licences codes or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and
- (b) provide for matters which include:
 - the provision of transmission services,
 - the operation, including the configuration, of the national electricity transmission system,
 - the co-ordination of the planning of STC parties' transmission systems,
 - the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),
 - planning for, and co-ordination of, transmission outages,
 - procedures for developing, agreeing and implementing party entry processes,
 - the resolution of disputes,
 - the exchange of information between STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences and other relevant statutory obligations,
 - procedures to enable the system operator to obtain relevant information from STC parties to enable it to produce information and analysis about the national electricity transmission system in accordance with standard condition C11 (Production of information about the national electricity transmission system) and standard condition C27 (The Network Options Assessment process and reporting requirements), and
 - procedures established in pursuance of paragraphs 6-6H.

Nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

3. The objectives of the STC referred to in sub-paragraph 1(c) are the:
 - (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
 - (b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission;

- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
- (d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees;
- (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;
- (f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system; and
- (g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

4. The STC shall provide for:

- (a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC;
- (b) copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;
- (c) a panel body, as specified in the STC (the “panel”) whose functions shall include the matters required by this condition and as set out in the STC;
- (d) a secretarial or administrative person or body, as specified in the STC, to perform the role of code administrator (the “code administrator”). In addition to any powers, duties or functions set out in the STC, the code administrator shall:
 - (i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);
 - (ii) facilitate the procedures for making a modification to the STC; and
 - (iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice;

5. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.

6. The STC shall include procedures for its own modification (including procedures for the modification of the modification procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:
- (a) for proposals for modification of the STC to be made by any of the STC parties, the Authority (in relation only to modifications which fall within the scope of paragraph 6GE), the licensee or such other persons or bodies as the STC may provide;
 - (aa) for modification proposals made by the Authority or the licensee under 6(a) and 6(ab)(i) respectively which fall within the scope of paragraph 6GE:
 - (i) to be accepted into the STC modification procedures by the panel;
 - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
 - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 6(ab);
 - (ab) for compliance by the licensee and (where applicable) the panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation only to modifications which fall within the scope of paragraph 6GE) for:
 - (i) the licensee to raise a modification proposal(s); and/or
 - (ii) the completion of each of the procedural steps outlined in paragraph 6 or 6GC, to the extent that they are relevant; and/or
 - (iii) the implementation of a modification.
 - (b) except for modifications made pursuant to paragraph 6D or 6G where a modification proposal is made:
 - (i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;
 - (ia) for the proper evaluation of the suitability of the self-governance route (in accordance with paragraph 6A) for a particular modification proposal;
 - (ib) during a significant code review phase, for the proper evaluation of the relevance of the significant code review to a particular modification proposal;

- (ii) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;
- (iii) for the preparation by the panel of an assessment of the likely impact of the proposal on each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning any STC party or STC party's transmission system, such assessment shall be made on the basis of the panel's proper assessment (which the panel shall make available for these purposes) of the impact of the proposal on each STC party's transmission system;
- (iv) for properly evaluating whether the proposed modification would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the panel requires information which is not generally available concerning any STC party or STC party's transmission system or the national electricity transmission system, such evaluation shall be made on the basis of the panel's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph 3;
- (v) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable STC objectives;
- (vA) for the evaluation required under paragraph 6(b)(iv) (and, if applicable, paragraph 6(b)(v)) in respect of the applicable STC objective(s) to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;
- (vi) for the preparation of a report on behalf of the panel which includes the following:
 - the proposed modification and any alternative;
 - an evaluation of the proposed modification and any alternative;

- an assessment of the extent to which the proposed modification or any alternative would better facilitate achieving the applicable STC objectives and a detailed explanation of the reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of greenhouse gas emissions in accordance with paragraph 6(b)(vA));
 - to the extent practicable, an assessment of the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed modification;
 - an assessment of the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of the modification;
 - a recommendation by the panel (or in the case of a proposal falling within the scope of paragraph 6A, a determination), by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification or any alternative should be made;
 - to the extent practicable, the inclusion in the report of the combined views of the STC parties concerning the modification and any alternative or, where a combined view is not practicable, the views of each STC party;
 - a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
- (vii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);
- (c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any modification to be either:
- (i) in accordance with any direction(s) issued by the Authority under paragraph 6(ab); or
 - (ii) where no direction has been issued by the Authority under paragraph 6(ab),

such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made, (or after a determination by the panel in accordance with paragraph 6A), account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;

- (d) for the completion of each of the procedural steps outlined in this paragraph 6, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(ab);
- (e) for separate processes for the modification of STC Procedures and the schedule listing the STC Procedures in force from time to time and which otherwise forms a part of the STC to those for the modification of other parts of the STC set out in sub-paragraphs (a) to (c) above and paragraphs 6A-7; and
- (f) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraphs 6(b)(vi) and 6(b)(vii) upon, and in accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal.

6A. The procedures for the modification of the STC shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 6A (the "self-governance route") where:

- (a)
 - (i) in the view of the panel, the modification proposal meets all of the self-governance criteria, and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or
 - (ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and
- (b) unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 6A(d); and
- (c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 6A(d); and

- (d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 6A(b), determined that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the STC and any other modifications proposed in accordance with paragraph 6(b)(v), better facilitate the achievement of the applicable STC objective(s); and
- (e)
 - (i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 6A(d) in respect of such modification proposal and any alternative; or
 - (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 6B and the Authority has not quashed the panel's determination referred to at paragraph 6A(d) (and either remitted the relevant modification proposal and any alternative back to the panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal).

6B. The procedures for the modification of the STC shall provide that those persons set out at paragraph 6(a) may appeal to the Authority the approval or rejection by the panel of a modification proposal and any alternative falling under the self-governance route (in accordance with paragraph 6A), provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the STC and, in the opinion of the Authority:

- (a)
 - (i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
 - (ii) the appeal is on the grounds that:
 - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the applicable STC objectives; or
 - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the applicable STC objectives; and
- (b) the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

6C. The procedures for the modification of the STC shall provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 6B, that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal; and
- (b) if the Authority quashes the panel's determination referred to at paragraph 6A(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 6A(d), the panel's determination of that modification shall be treated as a recommendation under sub-paragraph 6(b)(vi).

6D. The procedures for the modification of the STC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 6D (the "fast track self-governance route") where:

- (a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;
- (b) the panel unanimously determines that the modification should be made;
- (c) STC parties and the Authority have been notified of the proposed modification;
- (d) none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
- (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

6E. Without prejudice to paragraph 6GB, the procedures for the modification of the STC shall provide that proposals for the modification of the STC falling within the scope of a significant code review may not be made during the significant code review phase, except:

- (a) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
- (b) at the direction of, or by, the Authority.

- 6F. The procedures for the modification of the STC shall provide that, where a modification proposal is made during a significant code review phase, the panel shall:
- (a) unless exempted by the Authority, notify the Authority as soon as practicable of:
 - i. any representations received in relation to the relevance of the significant code review; and
 - ii. the panel's assessment of whether the proposal falls within the scope of the significant code review and its reasons for that assessment; and
 - (b) if the Authority so directs, not proceed with the modification proposal until the significant code review phase has ended.

6G. The procedures for the modification of the STC shall provide that if, within twenty-eight (28) days after the Authority has published its significant code review conclusions:

- (a) the Authority issues directions to the licensee, the licensee shall comply with those directions and treat the significant code review phase as ended;
- (b) the Authority issues to the licensee a statement that no directions under sub-paragraph (a) will be issued in relation to the STC, the licensee shall treat the significant code review phase as ended;
 - (ba) the Authority raises a modification proposal in accordance with paragraph 6(a), the licensee shall treat the significant code review phase as ended;
 - (bb) the Authority issues a statement that it will continue to work on the significant code review, the licensee shall treat the significant code review phase as continuing until it is brought to an end in accordance with paragraph 6GA;
- (c) neither directions under sub-paragraph (a), nor a statement under sub-paragraph (b) or (bb), have been issued, nor a modification proposal under sub-paragraph (ba), has been made, the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6(vi).

6GA. The procedures for the modification of the STC shall provide that, if the Authority issues a statement under paragraph 6G(bb) and/or a direction in accordance with

paragraph 6GD, the significant code review phase will be deemed to have ended when:

- (a) the Authority issues a statement that the significant code review phase has ended;
- (b) one of the circumstances in sub-paragraphs 6G(a) or (ba) occurs (irrespective of whether such circumstance occurs within twenty-eight (28) days after the Authority has published its significant code review conclusions); or
- (c) the Authority makes a decision consenting, or otherwise, to the modification of the STC following the panel's submission of its report under sub-paragraph 6GC(b).

6GB. The procedures for the modification of the STC shall provide that, where the Authority has issued a statement in accordance with sub-paragraph 6G(bb) and/or a direction in accordance with paragraph 6GD, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 6GE(b) to the panel.

6GC. The procedures for the modification of the STC shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 6GB:

- (a) for the preparation of a panel report:
 - (i) evaluating the proposed modification;
 - (ii) assessing the extent to which the proposed modification would better facilitate achieving the applicable STC objectives and providing a detailed explanation of the panel's reasons for that assessment (such assessment to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance on the treatment of carbon costs and evaluation of greenhouse gas emissions as may be issued by the Authority from time to time);
 - (iii) assessing, to the extent practicable, the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed modification;
 - (iv) assessing the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of the modification;

- (v) including a recommendation by the panel, by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification should be made;
 - (vi) to the extent practicable, the inclusion in the report of the combined views of the STC parties concerning the modification or, where a combined view is not practicable, the views of each STC party; and
 - (vii) setting out a timetable for implementation of the modification, including the date with effect from which such modification (if made) would take effect;
- (b) for the submission of the report to the Authority as soon after the significant code review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraph (a);
- (c) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraph (b) upon, and in accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal; and
- (d) for the timetable (referred to in sub-paragraph (a)(vii)) for implementation of any modification to be either:
- (i) in accordance with any direction(s) issued by the Authority; or
 - (ii) where no direction has been issued by the Authority, such as will enable the modification to take effect as soon as practicable after the Authority has directed that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted.
- (e) for the completion of each of the procedural steps outlined in this paragraph 6GC, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(ab).

The Authority's published conclusions and significant code review modification proposal shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the recommendation described at sub-paragraph 6GC(a).

6GD. The procedures for the modification of the STC shall provide that, where a proposal has been raised in accordance with sub-paragraph 6G(a) or 6(ab), or by the Authority under paragraph 6(a) and it falls within the scope of paragraph 6GE(b), the Authority may issue a direction (a “backstop direction”), which requires such proposal(s) and any alternatives to be withdrawn and which causes the significant code review phase to recommence.

6GE. Modification proposals fall within the scope of this paragraph where:

- (a) the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation and/or
- (b) any relevant legally binding decisions of the European Commission and/or the Agency; and/or the modification proposal is in respect of a significant code review.

6H. The procedures for the modification of the STC shall be consistent with the principles set out in the Code of Practice, to the extent that they are relevant.

7.

- a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vii), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the STC and any alternative modification set out in such report, better facilitate achieving the applicable STC objectives, the Authority may direct the system operator to make that modification on behalf of the STC parties and the system operator shall provide a copy of the direction to all other STC parties.
- b) The system operator, on behalf of the STC parties, shall only modify the STC:
 - (i) in order to comply with any direction of the Authority pursuant to subparagraph (a);
or
 - (ii) in order to comply with any direction from the Secretary of State to do so, so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period; or
 - (iii) with the consent of the Authority; or
 - (iv) in accordance with paragraph 6A (the ‘self-governance route’); or
 - (v) in accordance with paragraph 6D (the ‘fast track self-governance route’).

and it shall not have the power to modify the STC in any other circumstance; and the system operator shall furnish the Authority with a copy of any modification made.

- c) Only the system operator shall have the power to modify the STC.
 - d) The system operator shall ensure that a copy of any direction of the Authority pursuant to sub-paragraph (a) is made available to each STC party, including by way of publication.
 - e) The system operator shall ensure that the other STC parties are furnished with a copy of any modification so made.
8. The system operator shall prepare and publish a summary of the STC as modified or changed from time to time in such form and manner as the Authority may from time to time direct.
 9. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.
 10. The STC Framework Agreement shall contain provisions:
 - (a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and
 - (b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.
 11. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of modification), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the STC.
 12. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for modification set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).

13. For the avoidance of doubt, paragraphs 11 and 12 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.
- 13A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition including, but not limited to, modifying the STC where necessary no later than 31 March 2017.
14. The licensee shall comply with any direction to the licensee made pursuant to this condition.
15. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the national electricity transmission system or to such extent as may be specified in the direction.
16. In this condition:

"applicable STC objectives"	means:the objectives set out in paragraph 3.
"Code of Practice"	means the Code Administration Code of Practice approved by the Authority and: <ul style="list-style-type: none"> a) developed and maintained by the code administrators in existence from time to time; and b) amended subject to the Authority's approval from time to time; and c) re-published from time to time.
"directions"	means, in the context of paragraph 6G(a), direction(s) issued following publication of significant code review conclusions which will contain: <ul style="list-style-type: none"> a) instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal; (b) the timetable for the licensee to comply with the Authority's direction(s); and (c) the Authority's reasons for its direction(s).
"fast track self-governance criteria"	means that a proposal, if implemented, <ul style="list-style-type: none"> (a) would meet the self-governance criteria; and

(b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:

- (i) updating names or addresses listed in the STC;
- (ii) correcting minor typographical errors;
- (iii) correcting formatting and consistency errors, such as paragraph numbering; or
- (iv) updating out of date references to other documents or paragraphs.

"maximum revenue"	has the meaning given in Special Condition 1.1 (Interpretation and definitions) of the system operator's transmission licence.
"party entry processes"	means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.
"self-governance criteria"	means that a proposal, if implemented: a) is unlikely to have a material effect on: <ul style="list-style-type: none">(i) existing or future electricity consumers; and(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and(iii) the operation of the national electricity transmission system; and(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and(v) the STC's governance procedures or modification procedures, and b) is unlikely to discriminate between different classes of STC parties.
"self-governance statement"	means a statement made by the panel and submitted to the Authority in accordance with paragraph 6A(a)(i)

- (a) confirming that, in its opinion, the self-governance criteria are met and the modification is suitable for the self-governance route; and
- (b) the panel's reasons for that opinion.

“significant code review”

means a review of one or more matters which the Authority considers likely to:

- (a) relate to the STC (either on its own or in conjunction with any other industry code(s)); and

- (b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act), statutory functions and/or relevant obligations arising under Retained EU Law; and

concerning which the Authority has issued a notice to the STC parties (among others, as appropriate) stating:

- (i) that the review will constitute a significant code review;
- (ii) the start date of the significant code review; and
- (iii) the matters that will fall within the scope of the review.

“significant code review phase”

means the period

- (a) commencing either:

- (i) on the start date of a significant code review as stated by the Authority; or,

- (ii) on the date the Authority makes a direction under paragraph 6GD (a “backstop direction”);

and

- (b) ending either:

- (i) on the date on which the Authority issues a statement under sub-paragraph 6G(b) that no directions will be issued in relation to the STC; or

- (ii) if no statement is made under sub-paragraph 6G(b) or (bb), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under sub-paragraph 6G(a), or the Authority makes a modification proposal under paragraph 6G(ba); or

(iii) immediately under sub-paragraph 6G(c), if neither a statement, a modification proposal, nor directions are made by the Authority within (and including) twenty-eight (28) days from the Authority's publication of its significant code review conclusions; or
(iv) if a statement has been made under sub-paragraph 6G(bb) or a direction has been made under paragraph 6GD, (a "backstop direction") on the date specified in accordance with paragraph 6GA

"STC Procedures"

means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.

"transition modification provisions"

means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances.

Condition B15: Regulatory Instructions and Guidance (RIGs)

Introduction

1. This condition sets out the scope, contents, and common governance arrangements for the RIGs.

The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the special conditions of this licence and, where not referenced in the licence, the Final Determinations.

2. The Authority also uses this information in preparation of an Annual Report.

Part A: The RIGs

3. The Authority will issue and amend the RIGs by direction.
4. The Authority will maintain a current version of the RIGs on the Authority's Website
5. Subject to paragraphs 6 and 7 of this condition, the RIGs will make provision for:
 - (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing Specified Information;
 - (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of Specified Information (including different classes of such information);
 - (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
 - (d) the methodology for calculating or deriving numbers comprising Specified Information;
 - (e) provision with respect to the meaning of words and phrases used in defining Specified Information;
 - (f) requirements as to the form and manner in which, or the frequency with which, Specified Information must be recorded;
 - (g) requirements as to the form and manner in which, or the frequency with which, Specified Information must be provided to the Authority;
 - (h) requirements as to which (if any) of the Specified Information is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person;
 - (i) requirements as to the circumstances in which the Authority may appoint an Examiner to examine the recording of the Specified Information by the licensee;

- (j) a statement on whether and to what extent each category of the Specified Information is required for the purposes of the RIGs;
 - (k) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs; and
 - (l) instructions and guidance on the standards of accuracy and reliability that are applicable to the commentary that supports the information provided by licensees under the RIGs (to enable the Authority to assess efficiency and delivery of value to consumers).
6. The provisions of the RIGs will not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions.
7. No specified information will exceed what could be requested from the licensee by the Authority under paragraph 1 of standard condition B4 (Provision of information to the Authority) excluding any reference to paragraph 5 of that condition.
8. Before issuing new RIGs or amending the RIGs the Authority will publish on the Authority's Website:
- (a) The proposed text of the new or amended RIGs; and
 - (b) the date on which the Authority intends the new or amended RIGs to come into effect;
 - (c) the reasons for the new or amended RIGs; and
 - (d) a period during which representations may be made on the new or amended RIGs which will not be less than 28 days.
9. The requirements of paragraph 8 of this condition may be satisfied by action taken by the Authority before, as well as by action taken after, 1 April 2021.

Part B: Compliance with the RIGs

10. The licensee must comply with the RIGs.
11. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to:
- (a) estimate, measure, and record Specified Information; and
 - (b) provide Specified Information to the Authority in accordance with the RIGs.

12. The accounting records and other records kept by the licensee with respect to the Specified Information must be:
 - (a) separately identified and reasonably attributed as between the licensee's business and the business of any affiliate or related undertaking of the licensee; and
 - (b) maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.
13. The licensee must take all reasonable steps to validate and check that the Specified Information is complete, reliable and meets the standards prescribed by the RIGs.
14. The licensee must, on or before each submission date, write to the Authority to confirm that, in its opinion, the Specified Information in respect of each Regulatory Year meets the standards prescribed by the RIGs.
15. Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

Part C: Requirements for new or more detailed information

16. This Part C applies if any new or amended RIGs have the effect of introducing a requirement to provide:
 - (a) a new category of Specified Information; or
 - (b) an existing category of Specified Information to a greater level of detail,which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.
17. Where this Part C applies, the licensee may provide estimates to the Authority in respect of the relevant category of Specified Information for any Regulatory Year specified by the Authority.
18. The estimates that are mentioned in paragraph 17 of this condition may be derived from such other information available to the licensee as may be appropriate for that purpose.

Part D: Derogations

19. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to

such conditions as may be specified by the Authority by direction after consulting the licensee.

20. For the purposes of this condition:

Annual Report	means a report of that name published by the Authority under this condition;
Authority's Website	means www.ofgem.gov.uk ;
Examiner	means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable them to properly carry out and complete the tasks required of them under the terms of their nomination by the Authority pursuant to the provisions of the RIGs;
Final Determinations	means the document of that name published on the Authority's Website in relation to the RIIO-2 price control;
RIGs	means the Regulatory Instructions and Guidance published by the Authority under this condition;
Specified Information	means information (or a category of information) that is so described or required in the RIGs.

Condition B16: Electricity Network Innovation Strategy

Introduction

1. The purpose of this condition is to oblige the licensee to work with other parties to develop an Electricity Network Innovation Strategy. This obligation is intended to ensure that Relevant Network Licensees take a joined up approach to innovation, which results in coordinated action on priority areas that offer significant potential benefit, shared learning and the avoidance of unnecessary duplication.
2. This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Electricity Network Innovation Strategy.

Part A: Requirement to create and maintain an Electricity Network Innovation

Strategy

3. The licensee must develop and maintain an Electricity Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of an Electricity Network Innovation Strategy.
4. The licensee must use reasonable endeavours to work with all other Relevant Network Licensees to ensure that the Electricity Network Innovation Strategy is reviewed every two years and where necessary, in the majority view of Relevant Network Licensees, is also updated.

Part B: Electricity Network Innovation Strategy

5. The Electricity Network Innovation Strategy must:
 - a) set out the procedures for updating it (which must include the requirement to consult with Interested Parties in accordance with Part C below and the biennial review referred to in paragraph 4);
 - b) be kept up to date in accordance with the procedures referred to in paragraph 5(a); and
 - c) be readily accessible to the public from the licensee's website.
6. The Electricity Network Innovation Strategy must include:
 - a) A description of the challenges and uncertainties which the Relevant Network Licensees consider are pertinent to the electricity network over different time periods which could be addressed through innovative projects;
 - b) a description of the challenges, which are not currently being addressed through innovative projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Interested Parties;

- c) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in order to address the challenges referred to in paragraph 6(a) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the strategy will help to address those challenges;
- d) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in relation to the gaps identified in paragraph 6(b) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the Electricity Network Innovation Strategy will help to address those gaps. Consideration should be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to a gap identified in paragraph 6(b), a reason should be provided as part of this description;
- e) a description of how Relevant Network Licensees will coordinate their activities on Innovation Projects to minimise unnecessary duplication of effort;
- f) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects; And
- g) any directions related to the Electricity Network Innovation Strategy issued by the Authority.

Part C: Consultation

7. The licensee must, in cooperation with Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Electricity Network Innovation Strategy. This includes stakeholders in the following sectors:
 - (a) Electricity
 - (b) Gas
 - (c) Heat
 - (d) Refuse
 - (e) Telecoms;
 - (f) Transport; and
 - (g) Water and wastewater
8. The licensee must include a consideration in the Electricity Network Innovation Strategy:

- (a) a description of those Interested Parties and stakeholders referred to in paragraph 7, with whom it has consulted; and
- (b) its analysis of any representations relevant to the requirements set out in paragraph 6, received in response to the consultation

Part D: Interpretation

9. For the purposes of this condition:

Electricity Network Innovation Strategy	means a document, or suite of documents, published by Relevant Network Licensees that complies, or together comply, with the requirements of this condition.
Innovation Project	means a project funded by the Network Innovation Competition or the Network Innovation Allowance as established by Charge Restriction Conditions 2H and 5A of the Electricity Distribution Licence; Special Conditions 5.2 and 5.3 of the National Grid Electricity Transmission Plc, Scottish Hydro Electric Transmission Plc and SP Transmission Ltd Electricity Transmission Licence; Special Conditions 4.6 and 4.7 of the System Operator Electricity Transmission Licence; Special Condition 3I of the Electricity Transmission Licence as in force on 31 March 2021; and amended Standard Conditions E12 – J11 of the Offshore Electricity Transmission Licence.
Interested Parties	include, but are not limited to, the Engineering and Physical Sciences Research Council, the Department of Business, Energy and Industrial Strategy, Innovate UK and their successor bodies and holders of an Electricity Transmission licence or an Electricity Distribution licence not regulated through the RIIO model.
Relevant Network Licensee	means the holder of an Electricity Transmission Licence with condition B16 in effect in its licence, or an Electricity Distribution Licence with condition 48A in effect in its licence.

Condition B18: Offshore Transmission Owner of Last Resort

1. The licensee shall at all times comply with any Section E (offshore transmission owner of last resort) Direction that has been given or varied by the Authority pursuant to this condition and given to the licensee.
2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, give a Section E (offshore transmission owner of last resort) Direction to provide transmission services for a period not exceeding five years where a Section E (offshore transmission owner of last resort) Direction previously given to an offshore transmission owner regarding those assets has expired or is due to expire, or:
 - (a) if the Authority, following a transitional tender exercise undertaken in accordance with the tender regulations:
 - (i) has not been able to determine a person to be granted an offshore transmission licence for the transmission assets to which the transitional tender exercise related; and
 - (ii) has taken all reasonable steps to identify from offshore transmission owners an offshore transmission owner to operate the transmission assets; or
 - (b) if the Authority intends to revoke the transmission licence of an offshore transmission owner; or
 - (c) if the Authority intends to revoke a Section E (offshore transmission owner of last resort) Direction given to another transmission licensee;

and were the Section E (offshore transmission owner of last resort) Direction not given, it would significantly increase the likelihood that the generating station that is, or is expected to be, connected to the transmission assets would be unreasonably delayed or stranded.
3. The Authority may only give a Section E (offshore transmission owner of last resort) Direction to the licensee if:
 - (a) it has not already given a Section E (offshore transmission owner of last resort) Direction that is in force to an offshore transmission owner in respect of the offshore transmission assets to which the proposed Section E (offshore transmission owner of last resort) Direction relates;

- (b) it considers that the licensee could comply with the Section E (offshore transmission owner of last resort) Direction without materially prejudicing the licensee's ability to:
 - (i) continue to carry out its activities pursuant to this licence, and
 - (ii) fulfil its contractual obligations under any relevant Codes;
 - (c) it is satisfied that the licensee is able to operate the relevant transmission assets in an efficient and economic manner;
 - (d) it is satisfied that the licensee will be able to finance the activities which are the subject of obligations to be imposed on it by or by virtue of the Section E (offshore transmission owner of last resort) Direction;
 - (e) it is satisfied that the licensee will be able to recover the costs of operating the relevant transmission assets in an economic and efficient manner, including a reasonable rate of return;
 - (f) it has given notice to the licensee, pursuant to paragraph 5 of this condition, of its intention to give a Section E (offshore transmission owner of last resort) Direction and specified a reasonable period (not being less than 14 days from the date of publication of the notice) within which the licensee may make representations to the proposed Section E (offshore transmission owner of last resort) Direction; and
 - (g) it has considered any representations made by the licensee and not withdrawn.
4. Where there is more than one transmission licensee to whom a Section E (offshore transmission owner of last resort) Direction may be given, the Authority in giving a Section E (offshore transmission owner of last resort) Direction must consider in relation to each transmission licensee:
- (a) the financial, operational and technical standing of the transmission licensee;
 - (b) any information provided to the Authority by the transmission licensee in connection with the relevant transmission assets, in particular:
 - (i) in relation to the costs that it expects to incur if it receives a Section E (offshore transmission owner of last resort) Direction;
 - (ii) its cost effectiveness relative to other transmission licensees to whom a Section E (offshore transmission owner of last resort) Direction may be given; and
 - (iii) in relation to relevant transmission assets to be completed, the period within which it expects to complete the assets; and

- (c) any other relevant information available to the Authority, including the quality, price, technical merit, functional characteristics, environmental characteristics and location of the relevant transmission assets.
5. The Authority will give notice to the licensee of its intention to give a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2, setting out:
- (a) the basis on which the Authority considers that it is reasonable to make a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2;
 - (b) the date on which the Authority proposes that the Section E (offshore transmission owner of last resort) Direction is to take effect;
 - (c) the period, subject to paragraph 10, for which the Authority proposes the Section E (offshore transmission owner of last resort) Direction shall be in effect; and
 - (d) the transmission assets to which the Section E (offshore transmission owner of last resort) Direction relates (including the geographical location and technical characteristics of those assets).
6. A notice under paragraph 5 above shall be given by:
- (a) publishing the notice in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction; and
 - (b) serving a copy of the notice on the licensee.
7. A Section E (offshore transmission owner of last resort) Direction shall not take effect unless the Authority has formally proposed modifications to the conditions of this licence, pursuant to section 11 A of the Act, that will prescribe the rights and obligations of the licensee with respect to the relevant transmission assets, including the annual revenue that the licensee is able to earn for providing transmission services through the relevant transmission assets in an economic and efficient manner, and that the modifications are made by the Authority in accordance with section 11 A to section 11H of the Act.
8. Where the licensee considers that there has been a material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was given to the licensee may at any time apply in writing to the Authority for variation or revocation of the Section E (offshore transmission owner of last resort) Direction setting out a description of:
- (a) the material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was made;

- (b) the impact of the material prejudicial change on the licensee's ability to comply with the Section E (offshore transmission owner of last resort) Direction including the extent to which continuing to comply with the Section E (offshore transmission owner of last resort) Direction adversely affects the licensee's ability:
 - (i) to continue to carry out its activities pursuant to this licence; or
 - (ii) to fulfil its contractual obligations under any relevant Codes, and
 - (c) any proposed variations to the Section E (offshore transmission owner of last resort) Direction.
9. Where the licensee has applied for variation or revocation pursuant to paragraph 8 the Authority will consider that application and:
- (a) where that application is rejected by the Authority, the Authority must notify the licensee in writing of its decision not to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision;
 - (b) where that application is accepted by the Authority, the Authority must
 - (i) notify the licensee in writing of its decision to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision; and
 - (ii) publish a notice to that effect in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction.
10. Where the Authority has been able to determine a person, other than the person to whom the Section E (offshore transmission owner of last resort) Direction has been given, to be granted an offshore transmission licence for the transmission assets to which a Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2 relates, it must unless the licensee agrees otherwise revoke the Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2.

Condition B19: Connect and manage implementation

1. The licensee shall take such steps and do such things as are within its power and as are necessary or appropriate in order to give full and timely effect to all modifications made by the Secretary of State pursuant to sections 84 to 86 of the Energy Act 2008 to:

- (a) this licence;
- (b) the CUSC;
- (c) the STC,

which shall be for the purpose of facilitating connect and manage connections to the national electricity transmission system or distribution system, which are dependent upon completion on the national electricity transmission system of enabling works but not on completion of wider works.

2. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).
3. This condition shall cease to have affect at the end of the connect and manage transition period.

Condition B21: Notification of changes that may affect eligibility for certification

1. Where the licensee has made or makes an application for certification under section 10B of the Act, if at any time prior to the Authority notifying the licensee of its certification decision under section 10D(4) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
2. Where the licensee has been certified, if at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.
3. If at any time the licensee knows or reasonably should know that, on or after IP completion day, any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a country outside the United Kingdom, or that a person from a country outside the United Kingdom has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.
4. If at any time from the relevant date the licensee exercises or is likely to exercise any shareholder right or right of appointment in the circumstances described in section 10M of the Act, the licensee shall as soon as is reasonably practicable notify the Authority in writing of the right that has been or is likely to be exercised and the effect of exercising that right.
5. Where the licensee has been certified, by 31 July of each year following certification the licensee shall provide the Authority with a written declaration, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, setting out:
 - (a) whether any event or circumstance has occurred in the previous 12 month period, or such part of that 12 month period since the licensee was certified, that may affect the licensee's eligibility for certification, and if so, the reasons it considers that the event or circumstance may affect its eligibility for certification;

- (b) whether, on or after IP completion day, any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a person from a country outside the United Kingdom, or that a person from a country outside the United Kingdom has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified; and
- (c) whether the licensee has exercised any shareholder right or right of appointment in the circumstances described in section 10M of the Act in the previous 12 month period or such part of that 12 month period since the licensee was certified and if so the effect of exercising that right, providing that the licensee is only required to provide a written declaration under this paragraph (c) where it has been certified on the certification ground in section 10E(3) of the Act and in relation to a period that occurs after the relevant date.

6. In this condition:

“certified” has the same meaning as in section 10O of the Act;

“control” has the same meaning as in section 10O of the Act;

“person from a country outside the United Kingdom” has the same meaning as in section 10O of the Act;

“relevant date” has the same meaning as in section 10M of the Act;

“shareholder right” has the same meaning as in section 10O of the Act;

Condition B22: Requirement for sufficiently independent directors

1. Subject to paragraph 11, except and to the extent that the Authority consents otherwise, the licensee must ensure that at all times after a date which is the later of:
 - (a) 1 April 2014; and
 - (b) 12 months after this condition comes into effect in respect of the licensee,it has at least two non-executive directors who meet the criteria set out in paragraphs 2, 3, and 5 below. In this condition such directors are referred to as “sufficiently independent directors”.
2. A sufficiently independent director must:
 - (a) be a natural person;
 - (b) in the reasonable opinion of the licensee, have the skills, knowledge, experience, and personal qualities necessary to perform effectively as a non-executive director of the licensee; and
 - (c) not have any executive duties within the licensee’s business.
3. Except and to the extent that the Authority consents otherwise, and subject to paragraph 4, a sufficiently independent director must not be, and must not have been during the 12 months before his appointment as a director of the licensee or the coming into force of this condition (whichever is the later):
 - (a) an employee of the licensee; or
 - (b) a director or employee of an associate of the licensee.
4. The reference to ‘director’ in sub-paragraph 3(b) does not include appointment as a non-executive director of:
 - (a) an associate of the licensee that is the holder of a gas transporter licence or an electricity transmission licence or an electricity distribution licence;
 - (b) a wholly-owned subsidiary of the licensee that has been incorporated by it solely for the purpose of raising finance for a permitted purpose (as that term is defined in Standard Condition A1 (Definitions and interpretation)); or
 - (c) a qualifying group company.
5. A sufficiently independent director must not:
 - (a) have, or have had during the 12 months before his appointment as a director or the coming into force of this condition (whichever is the later), any material business relationship with the licensee or any associate of the licensee;

- (b) hold a remit to represent the interests of any particular shareholder or group of shareholders of the licensee or the interests of any associate of the licensee; or
 - (c) receive remuneration from the licensee or any associate of the licensee apart from a director's fee and reasonable expenses.
- 6. For the purposes of sub-paragraphs 5(a) and 5(c) respectively:
 - (a) the holding of a small number of shares or associated rights shall not, of itself, be considered a material business relationship; and
 - (b) the receipt or retention of any benefit accrued as a result of prior employment by or service with the licensee or any associate of the licensee shall not be considered to be remuneration.
- 7. The licensee must notify the Authority of the names of its sufficiently independent directors within 14 days of the later of the two dates referred to in paragraph 1 and must notify the Authority within 14 days where any new directors are appointed to fulfil the obligation in paragraph 11 of this condition.
- 8. The terms of appointment of each sufficiently independent director must include a condition stipulating that both the licensee and the appointee will use their best endeavours to ensure that the appointee remains sufficiently independent during his term of office, having particular regard to the criteria set out in paragraphs 2, 3, and 5.
- 9. A term of appointment for a sufficiently independent director may not be for longer than eight years, but an individual may be reappointed thereafter provided that he continues to meet the criteria set out in paragraphs 2, 3, and 5.
- 10. The licensee must notify the Authority in writing within 14 days if any sufficiently independent director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the licensee) the resignation. For the purposes of this requirement, the reasons for a resignation may, if appropriate, be stated to be personal reasons.
- 11. If at any time the licensee has fewer than two sufficiently independent directors because of a removal or resignation or other reason (including death or incapacity), the licensee must use its reasonable endeavours to ensure that a new director is, or new directors are, appointed to fulfil the obligation in paragraph 1 as soon as is reasonably practicable to bring the number of sufficiently independent directors up to at least two.

Interpretation

12. In this condition:

“associate” means:

- (a) an affiliate or related undertaking of the licensee;
- (b) an ultimate controller of the licensee;
- (c) a participating owner of the licensee; or
- (d) a common control company.

“common control company” means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions and interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

“participating owner” - For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person.

“participating interest” has the meaning given in section 421A of the Financial Services and Markets Act 2000.

“qualifying group company” means:

- (a) an immediate parent company of the licensee that holds 100% of the shares of the licensee and no other shares except for shares in one or more wholly-owned subsidiaries, each of which is the holder of a gas transporter licence or an electricity transmission licence or an electricity distribution licence;
- (b) the parent company of a group whose other members may only include:
 - (i) a company meeting the criteria set out in sub-paragraph (a) or a subsidiary of such a company, of the type referred to in that sub-paragraph; and
 - (ii) intermediate holding companies between the parent company concerned and a company meeting the criteria set out in sub-paragraph (b)(i) provided that such intermediate holding companies:
 - (aa) have no shareholders other than the parent company concerned or another intermediate holding company; and

(bb) hold no shares other than shares in a company meeting the criteria set out in sub-paragraph (a) or shares in another intermediate holding company;

and

(c) intermediate holding companies meeting the criteria set out in sub-paragraph (b)(ii).

Condition B23: Data Assurance Requirements

Introduction

1. This condition sets out the processes and activities the licensee must undertake to reduce the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.
2. It outlines the process the Authority will follow in issuing and amending the Data Assurance Guidance.

Part A: Licensee's obligations

3. The licensee must:
 - (a) comply with the provisions of the Data Assurance Guidance;
 - (b) where required to provide Data under the provisions of this licence, provide Data which complies with the requirements set out in the Data Assurance Guidance;
 - (c) subject to paragraph 4, where required to provide Data under the provisions of this licence, provide accurate and complete Data;
 - (d) carry out a Risk Assessment in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance, and ensure that it has used its best endeavours to mitigate such risks as it has identified in that assessment;
 - (e) if directed by the Authority, procure an independent review of its Data Assurance Activities in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance; and
 - (f) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the DAG, reports that variously contain:
 - i. the results of the licensee's Risk Assessment conducted under subparagraph (c);
 - ii. a description of the Data Assurance Activities that the licensee intends to undertake concerning expected future Data submissions for the relevant reporting period set out in the Data Assurance Guidance;
 - iii. a description of the Data Assurance Activities undertaken by the licensee concerning previously submitted Data for the relevant reporting period set out in the Data Assurance Guidance; and
 - iv. if required, the details and results of the independent review procured by the licensee of its Data Assurance Activities.

4. Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition.
5. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 3.
6. The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific Data Assurance Activity in accordance with the provisions of Part C.

Part B: Data Assurance Guidance

7. The Authority will issue and amend the Data Assurance Guidance by direction
8. The Authority will publish the Data Assurance Guidance on the Authority's Website.
9. The Data Assurance Guidance will include, or make provision for, any of the following matters:
 - (a) the Data to which the Risk Assessment applies;
 - (b) the format (including its form, layout, scope and content) of the Risk Assessment;
 - (c) the frequency with which and the timescales within which the Risk Assessment is required to be carried out;
 - (d) the format (including its form, layout, scope and content) of any independent review that may be required of the licensee's Data Assurance Activities and the associated reporting requirements;
 - (e) the format (including its form, layout, scope and content) of the reporting requirements detailed in paragraph 3(e);
 - (f) the frequency with which and the timescales within which the licensee should report on its Data Assurance Activities to the Authority; and
 - (g) the time period(s) to which required reports must relate.
10. The provisions of the Data Assurance Guidance must not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions relative to the impact on consumers of data reporting errors.
11. Information requested by the Authority under or pursuant to the requirements of the Data Assurance Guidance will not exceed what could be requested from the licensee by the Authority pursuant to Standard Condition B4 (Provision of information to the Authority).

12. Before issuing or amending the Data Assurance Guidance by direction the Authority from time to time by direction will publish on the Authority's Website:
- (a) the proposed text of the new or amended Data Assurance Guidance;
 - (b) the date on which the Authority intends the new or amended Data Assurance Guidance to come into effect
 - (c) the reasons for the new or amended Data Assurance Guidance; and
 - (d) a period during which representations may be made on the new or amended Data Assurance Guidance, which will not be less than 28 days.

Part C: Licensee's obligation to carry out a Data Assurance Activity

13. The licensee, must comply with any direction by the Authority requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such Data Assurance Activity as may be specified in the direction.
14. Before issuing a direction under paragraph 12 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the direction to come into effect;
 - (c) the reasons why it proposes to issue the direction; and
 - (d) a period during which representations may be made on the proposed directions which will not be less than 28 days.
15. The direction will set out:
- (a) a description of the Data Assurance Activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of ensuring the accuracy and completeness of data provided to the Authority;
 - (b) that, if it refers to a person nominated by the Authority, the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;
 - (c) a description of the Data to which the activity that is described in the direction must apply;
 - (d) an explanation of why the Authority requires the licensee to carry out that activity;
 - (e) any relevant dates by which that activity must be completed; and
 - (f) the form and content of any information relating to that activity that the licensee must provide to the Authority.

Part D: Derogations

16. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Part E: Interpretation

17. For the purposes of this condition:

Data	means the relevant submissions to the Authority under this licence in respect of which the licensee must carry out a Risk Assessment, as specified in the Data Assurance Guidance;
Data Assurance Activity	means, in respect of data, the activity undertaken by the licensee (or a person nominated by the Authority, as the case may be) to address the risks identified in the risk assessment; and
Risk Assessment	means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority under this licence.

Condition B24: Housekeeping

Introduction

1. The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.

Part A: Assessment of proposed modification

2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.
3. In making the assessment required by paragraph 2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

Part B: Circumstances in which a modification may be made

4. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of the conditions of this licence is a Housekeeping Modification, it may modify the licence by direction to implement the intended modification. Otherwise any modification will be made under section 11A of the Act.
5. Before making a direction under paragraph 4, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction, including why the Authority believes that it is a Housekeeping Modification; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
6. A direction under paragraph 4 will set out:
 - (a) the modification to the conditions of this licence; and
 - (b) the date on which it is to have effect or the mechanism by which that date is to be determined.

PART III

SECTION D. TRANSMISSION OWNER STANDARD CONDITIONS

Condition D1: Interpretation of Section D.

1. In the standard conditions in this Section unless the context so requires:

“connect and manage derogation”	means a temporary derogation, by reference to the connect and manage derogation criteria, from paragraph 1 of standard condition D3 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 of the National Electricity Transmission System Security and Quality of Supply Standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply) which is necessary to enable the system operator to make a connect and manage offer where failure to complete wider works before the connection date would otherwise render the national electricity transmission system non-compliant with such planning and operation standards (the connect and manage derogation to be applicable only until completion of the wider works in relation to which the derogation relates);
“connect and manage derogation criteria”	means the criteria defined as such in the STC;
“connect and manage derogation report”	means the report submitted by the licensee to the system operator in respect of a connect and manage derogation;
“connect and manage offer”	means an offer from the system operator to a connect and manage applicant for a connect and manage connection;
“enabling works”	means the minimum transmission reinforcement works required to be completed on the national electricity transmission system to permit the connect and manage applicant access to the national electricity transmission system or distribution system, where such works are defined in the manner provided for in the STC and identified in the connect and manage offer;

“transmission
reinforcement
works”

means those works defined in the TO offer which are necessary to extend or reinforce the national electricity transmission system to ensure that it would comply with the requirements of standard condition D3 (Transmission System security standard and quality of service) if no connect and manage derogation were in place;

“wider works”

means the transmission reinforcement works which are not required to be completed prior to the connection date but are necessary to reinforce or extend the national electricity transmission system to make it compliant with the terms of the National Electricity Transmission System Security and Quality of Supply Standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply in accordance with standard condition D3 (Transmission system security standard and quality of service)), where such works are defined in the manner provided for in the STC and identified in the connect and manage offer;

Condition D2: Obligation to provide transmission services

1. The licensee shall, in accordance with the STC, provide to the system operator the transmission services set out in paragraph 2.
2. The transmission services which the licensee shall provide in accordance with paragraph 1 shall consist of the following:
 - (a) making available those parts of the licensee's transmission system which are intended for the purposes of conveying, or affecting the flow of, electricity so that such parts are capable of doing so and are fit for those purposes;
 - (b) a means of enabling the system operator to direct the configuration of those parts of the licensee's transmission system made available to it and, consistent with such means, giving effect to any such direction from time to time; and
 - (c) a means of enabling the system operator to obtain information in relation to the licensee's transmission system which is needed by the system operator to enable it to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system and, consistent with such means, providing such information to the system operator.

Condition D3: Transmission system security standard and quality of service

1. Subject to any connect and manage derogation made pursuant to paragraphs 2 and 3 of this condition, the licensee shall at all times plan and develop the licensee's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2.5, together with the STC or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorized electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system.
2. Before making a TO offer to the system operator in accordance with standard condition D16 (Requirements of a connect and manage connection), the licensee shall
 - a. determine whether, if it were to make that TO offer, it would comply with paragraph 1 of this condition at the connection date;
 - b. if the licensee determines that making that TO offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether, and to what extent, a connect and manage derogation is required;
 - c. where the licensee has identified the need for a connect and manage derogation, submit a connect and manage derogation report to the system operator as part of the TO offer in accordance with the timetable under the STC.
3. Where the licensee determines that a connect and manage derogation is required to enable it to make a TO offer in respect of a connect and manage application and the system operator has accepted the TO offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed.
4. The licensee shall no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph 6 of standard

condition C17 (Transmission system security standard and quality of service) of the transmission Licence.

5. (Omitted)
6. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
7. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
8. The licensee shall (subject to paragraph 9) give or send a copy of the documents (as from time to time revised) referred to in paragraph 7 to any person requesting the same.
9. The licensee may make a charge for any copy given or sent pursuant to paragraph 8 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition D4A: Obligations in relation to offers for connection etc

1. On notification by the system operator of receipt on or after the BETTA go-live date of an application for connection or for modification to an existing connection in accordance with paragraph 2 of standard condition C8 (Requirement to offer terms), the licensee shall (subject to paragraph 2 and paragraph 4) offer to enter into an agreement with the system operator and such offer shall make detailed provision regarding:
 - (a) the carrying out of work (if any) on the licensee's transmission system required to connect the national electricity transmission system to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;
 - (b) the carrying out of works (if any) on the licensee's transmission system in connection with the extension or reinforcement of the licensee's transmission system which is rendered (in the licensee's discretion) appropriate or necessary by reason of making the connection or modification to an existing connection to the national electricity transmission system and for the obtaining of any consents necessary for such purpose;
 - (c) where the system operator requests the same, the installation of meters (if any) on the licensee's transmission system required to enable the system operator to measure electricity being accepted onto the national electricity transmission system at the specified entry point or points or leaving such system at the specified exit point or points;
 - (d) the date by which any works required on the licensee's transmission system to facilitate access to the national electricity transmission system (including for this purpose any works on the licensee's transmission system to reinforce or extend the licensee's transmission system) shall be completed (time being of the essence unless otherwise agreed by the system operator);
 - (e) such costs as may be directly or indirectly incurred in carrying out the works, the extension or reinforcement of the licensee's transmission system or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters, which works are detailed in the offer;
 - (f) such further terms as are or may be appropriate for the purpose of the agreement;and

in providing such information, the licensee shall co-operate and co-ordinate its activities with other STC parties in accordance with the STC.

2. Subject to paragraph 4, the licensee shall, after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer, offer terms in accordance with paragraph 1 above as soon as practicable and (except where the Authority consents to a longer period) in accordance with the time periods specified for this purpose in the STC.
3. On notification by the system operator in accordance with paragraph 2 of standard condition C8 (Requirement to offer terms) of receipt by the system operator on or after the BETTA go-live date of an application for use of system, the licensee shall (subject to paragraph 4), where the system operator requests that it do so in accordance with the STC, offer to enter into an agreement with the system operator in respect of such application in the manner provided in the STC and for the purposes of making such offer shall cooperate and co-ordinate its activities with other STC parties in accordance with the STC.
4. The licensee shall not be obliged pursuant to this condition to offer to enter into or to enter into any agreement pursuant to this condition if to do so would be likely to involve the licensee:
 - (a) in breach of its duties under section 9 of the Act;
 - (b) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business; or
 - (c) in breach of the conditions,

and where the licensee is not obliged pursuant to this condition to offer to enter into or to enter into an agreement with the system operator, the licensee shall notify the system operator of that fact (and of the fact that it does not intend to offer to enter into or to enter into an agreement pursuant to paragraph 1 or paragraph 3) and shall give duly substantiated reasons to the system operator for not offering to enter or not entering into any agreement as soon as practicable in accordance with the STC.

5. The Licensee shall within 28 days after the end of the following six monthly periods:
 - (a) 1 April until 30 September; and
 - (b) 1 October until 31 March

submit to the Authority a report in relation to all agreements it has offered to enter into with the system operator made under paragraph 1 of this condition during that six month period setting out the factors which have influenced the date identified in each offer

made to the system operator in accordance with paragraph 1(d) of this condition including the following;

- (i) information on the timescales for connection, and how this may vary by location, type and size of connection
 - (ii) key issues that have an impact or have had an impact on the timetable for delivery of the connection; and
 - (iii) any issues likely to impact timing of connections going forward.
6. The Licensee shall provide a non-confidential version of the report to the system operator within 5 days of submission of its report to the Authority.

Condition D4B: Functions of the Authority

1. Insofar as the system operator wishes to proceed on the basis of a TO offer from the licensee as settled by the Authority pursuant to paragraph 2 of standard condition C9 (Functions of the Authority), the licensee shall forthwith enter into an agreement with the system operator which fully reflects the TO offer as so settled.
2. Where the Authority determines in accordance with paragraph 2(c)(ii) of standard condition C9 (Functions of the Authority) that a TO offer (other than those TO offers (if any) notified to the Authority in accordance with paragraph 2(a) of standard condition C9 (Functions of the Authority)) is required in respect of an agreement settled by the Authority pursuant to paragraph 1 of standard condition C9 (Functions of the Authority) and that other TO offer is required to be made by the licensee, the licensee shall prepare a TO offer which is consistent with such determination and shall submit such TO offer to the system operator as soon as reasonably practicable after the date of such determination and, in any event, within the time periods (if any) specified in such determination.

Condition D5: Prohibition on engaging in preferential or discriminatory behaviour

1. The licensee shall not unduly discriminate as between any persons or any class or classes of person or persons or unduly prefer itself or any affiliate or related undertaking over any other person or persons or any class or classes of person or persons:
 - (a) in meeting its obligations under standard condition D2 (Obligation to provide transmission services);
 - (b) meeting its obligations under standard condition D3 (Transmission system security standard and quality of service)
 - (c) in meeting its obligations under standard condition D4A (Obligations in relation to offers for connection etc);
 - (d) in meeting its obligations under standard condition D15 (Obligations relating to the preparation of TO offers during the transition period); and
 - (e) in meeting its obligations under standard condition B12 (System Operator - Transmission Owner Code).

2. On notification by the Authority, the licensee shall keep and maintain such records concerning its compliance with this condition as are in the opinion of the Authority sufficient to enable the Authority to assess whether the licensee is complying with this condition and as are specified in any such notification, and the licensee shall furnish to the Authority such records (or such of these as the Authority may require) in such manner and at such times as the Authority may require.

Condition D6: Prohibition on selling electricity

1. The purpose of this condition is to prevent abuse by the licensee of its position as owner or operator of the licensee's transmission system.
2. Except with the written consent of the Authority, the licensee shall not purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties except for the purpose of providing transmission services.
3. In paragraph 2, the reference to purchase or other acquisition of electricity shall include entering into or acquiring the benefit of a contract conferring rights or obligations (including rights or obligations by way of option) in relation to or by reference to the sale, purchase or delivery of electricity at any time or the price at which electricity is sold or purchased at any time.

Condition D12: Scottish Settlement Agreement

1. Subject to paragraph 2, insofar as the licensee transmits electricity to any premises situated in Scotland or to the extent that the Settlement Agreement for Scotland may apply in respect of the activities of the transmission business, the licensee shall comply with the relevant provisions of the Settlement Agreement for Scotland.
2. The Authority may (with the consent of the Secretary of State and following consultation with the licensee and such other persons as the Authority determines appropriate) where it considers it consistent with, or necessary or expedient for, the successful implementation and operation of BETTA, issue directions relieving the licensee of such of its obligations under this condition (whether in part or in whole) as the Authority deems appropriate.
3. In this condition:

"Settlement Agreement for Scotland"

means the agreement of that title, as nominated by the Authority for the purposes of this condition, to be prepared in accordance with and comprise such matters as are set out in special condition I (The Settlement Agreement for Scotland) in each of the electricity distribution licences of SP Distribution Limited, and Scottish Hydro-Electric Power Distribution Limited (and any other name by which any of these companies come to be known).

Condition D15: Obligations relating to the preparation of TO offers during the transition period

1. Without prejudice to the licensee's other obligations to support the system operator as provided in this licence and the STC, the principal objective of this condition is to require the licensee to make TO offers to the system operator for the purposes of supporting the system operator in its achievement of the principal objectives specified in standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) to:

- (a) have agreements governing connection to or use of the GB transmission system with all existing users by the BETTA go-live date; and
- (b) make offers for connection to or use of the GB transmission system to all applicants in accordance with the timescales specified in paragraph 7 of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period),

such agreements and offers to take account of and be consistent with the matters identified in paragraphs 1(i) and 1(ii) of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period).

2. The licensee shall (unless and to the extent that the Authority otherwise directs) in the manner and within the time periods (if any) specified in Section I of the STC on notification by the system operator in accordance with Section I of the STC, make a TO offer to the system operator, and such offer shall:

- (a) take account of and be consistent with the licensee's obligations under this condition;
- (b) save where the Authority otherwise directs, reflect the division of ownership of Plant and Apparatus provided for in:
 - (i) any relevant existing agreement between the licensee and the existing user to whom the offer is to be made; or
 - (ii) any relevant offer already made or to be made by the licensee to the applicant to whom the offer is to be made, and
- (c) subject to sub-paragraphs (a), (b), (d) and (e), take account of and be consistent with those obligations which it is, at the relevant time, known (or reasonably anticipated) are to be imposed on the licensee by this licence on and from the BETTA go-live date and which would, had the offer been made after the BETTA go-live date, have applied to that offer;

- (d) where notified by the system operator, not be contingent on the completion of transmission system works on circuits which relate directly to the interconnection (or works directly consequential, in the context of the relevant offer, to such transmission system works); and
 - (e) where notified by the system operator, not be contingent upon the completion of transmission system works in Scotland.
3. The licensee shall, in respect of each complete application for connection to or use of the licensee's transmission system which it receives during the transition period, within one working day of having received that complete application, notify the system operator of such application and provide the system operator with information concerning such application in accordance with Section I of the STC. An application shall be a complete application for the purposes of this condition if that application contains all the information which the licensee reasonably requires for the purpose of preparing an offer for connection to or use of the licensee's transmission system in response to such application.
4. The licensee shall not be obliged pursuant to this condition to offer to enter into or to enter into an agreement pursuant to this condition if to do so would be likely to involve the licensee:
- (a) in breach of its duties under section 9 of the Act;
 - (b) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business; or
 - (c) in breach of the conditions,

and where the licensee is not obliged pursuant to this condition to offer to enter into or to enter into an agreement with the system operator, the licensee shall notify the system operator of that fact (and of the fact that it does not intend to offer to enter into or to enter into an agreement pursuant to this condition) as soon as practicable in accordance with Section I of the STC.

5. Insofar as the system operator wishes to proceed on the basis of a TO offer from the licensee as settled by the Authority pursuant to paragraph 11 or paragraph 13 of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period), the licensee shall forthwith enter into an agreement with the system operator which fully reflects the TO offer as so settled.

6. Where the Authority determines in accordance with paragraph 11(c)(iii) or paragraph 13(d)(iii) of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) that a TO offer (other than any existing TO offer) is required in respect of an agreement settled or determined by the Authority pursuant to paragraph 10 or paragraph 13 of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) and that TO offer is required to be made by the licensee, the licensee shall prepare a TO offer which is consistent with such settlement or determination and shall submit such TO offer to the system operator as soon as reasonably practicable after the date of such settlement or determination and, in any event, within the time periods (if any) specified in such settlement or determination.
7. Where the Authority determines in accordance with paragraph 11(c)(ii) or paragraph 13(d)(ii) of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) that changes are required to be made to any part of the Section I Information (including any addition to be made thereto) the licensee shall cooperate with the system operator in giving effect to the changes to the Section I Information in accordance with the Authority's determination as soon as reasonably practicable after the date of such determination and, in any event, within the time periods (if any) specified in such determination.
8. Where the terms of an agreement which are to be settled or determined by the Authority pursuant to paragraph 13 of standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) have not been settled or determined by the date which falls two weeks prior to the BETTA go-live date (or such later date as the Authority may direct for these purposes), the licensee shall, if the system operator so indicates, at any time prior to the terms of such agreement being so settled or determined, that it wishes to proceed on the basis of any then existing associated TO offer from the licensee (or on the basis of any then existing Section I Information) forthwith enter into an agreement with the system operator on the basis of that associated TO offer (or proceed on the basis of any applicable Section I Information) pending settlement or determination of the terms of the relevant agreement by the Authority. The Authority's settlement or determination of the terms of any such agreement (and any determination of any associated TO offer (including the need therefore) or applicable Section I Information) may, where and to the extent appropriate, take account of and make appropriate adjustments to reflect the difference between the terms of that agreement (and any associated TO offer or applicable Section I Information) as settled or determined and the terms of that agreement (and any associated TO offer or applicable Section I Information) which applied during the period

from the BETTA go-live date to the date upon which the agreement (and any associated TO offer or applicable Section I Information) as settled or determined takes effect.

9. The provisions of this condition shall only apply to existing users and to any application made by an applicant before the BETTA go-live date.
10. Unless the context otherwise requires, in this condition the following words have the meaning contained in standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period):
 - (a) "Apparatus"
 - (b) "applicant"
 - (c) "existing agreement"
 - (d) "existing user"
 - (e) "Plant"
 - (f) "Section I Information"
 - (g) "transmission system works"

and the term "relevant time" shall, for the purposes of this condition, mean the time at which the licensee makes a TO offer as required by paragraph 2 of this condition.

Condition D16: Requirements of a connect and manage connection

1. On notification by the system operator of receipt by it on or after the connect and manage implementation date of a connect and manage application in accordance with paragraph 1 of standard condition C26 (Requirements of a connect and manage connection), the licensee shall comply with standard condition D4A (Obligations in relation to offers for connection etc) and in so doing shall also comply with the requirements of this condition.
2. When offering to enter into an agreement with the system operator (in accordance with paragraph 1 of standard condition D4A (Obligations in relation to offers for connection etc)) in respect of a connect and manage application on or after the connect and manage implementation date, the licensee shall:
 - (a) determine by reference to the connect and manage derogation criteria whether a connect and manage derogation is required for the connect and manage connection; and
 - (b) where the licensee concludes a connect and manage derogation is required, submit a connect and manage derogation report to the system operator in accordance with standard condition D3 (Transmission system security standard and quality of service), as part of the TO offer.
3. The licensee shall use all reasonable endeavours to complete the enabling works identified as required on the licensee's transmission system in relation to a connect and manage application in a timescale which allows for connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date, as notified to the licensee by the system operator.
4. The licensee shall use all reasonable endeavours to complete the wider works identified as required on the licensee's transmission system in relation to a connect and manage application as soon as reasonably practicable. On completion of the wider works, any applicable connect and manage derogation shall cease to have effect;
5. The licensee shall cooperate and coordinate with the system operator and other STC parties as necessary in order to facilitate the system operator's obligation to make offers to connect and manage transferees within the specified timescale so that their terms are consistent with a connect and manage offer.
6. The licensee shall use all reasonable endeavours to ensure that:

- (a) persons seeking connection other than through a connect and manage application; or
- (b) persons already connected or offered terms for connection prior to the connect and manage implementation date,

are not disadvantaged without objective justification as a result of connect and manage connection.

7. The licensee shall cooperate and coordinate with the system operator and other STC parties as necessary in order to facilitate the system operator's obligation to furnish to the Authority such information and reports as the Authority may reasonably require or as may be necessary for the purposes of monitoring the impact and effectiveness of connect and manage connections. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).

PART IV SPECIAL CONDITIONS

Chapter 1: Interpretation and definitions

Special Condition 1.1. Interpretation and definitions

Introduction

- 1.1.1 The purpose of this condition is to provide for the special conditions of this licence:
- (a) some provisions of general interpretation; and
 - (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Part A: Interpretation

- 1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
- 1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
- 1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those special conditions.
- 1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid. Any reference in these special conditions to:
- (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity transmission licences;
 - (c) a provision of the standard conditions of electricity supply licences;
 - (d) a provision of the standard conditions of electricity distribution licences;
 - (e) a provision of the standard conditions of electricity generation licences;
 - (f) a provision of the standard conditions of electricity interconnector licences
- 1.1.6 must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.
- 1.1.7 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ET2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ET2 Price Control Financial Model will convert these values using in accordance with Part F of Special Condition 2.1 (Revenue restriction), so that the component terms of Calculated Revenue are in a 2018/19 price base.

Part B: Definitions

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ET2 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document; or
 - (e) the CUSC

- (f) the defined term is to have the meaning given in that provision or document as amended from time to time.

Access Agreement	means a formal agreement between the licensee and a community group in the form of a lease or other agreement depending on the site and what is legally permitted by wayleaves.
Access Reform Change	means the changes to industry codes that are made to implement the outcome of the Authority's access and charging reform significant code review launched in December 2018.
the Act	means the Electricity Act 1989.
Actual Corporation Tax Liability	means the value as shown in the licensee's company tax return (CT600) as submitted to Her Majesty's Revenue and Customs relating to the licensee.
Affiliate	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Allowed Revenue	is the amount the licensee should aim to recover through its Network Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Revenue restriction).
Allowed Security Costs	means any cost allowed by the Authority (upon receipt of such information, including a certificate from the auditors, as the Authority may request) as being a cost which is directly attributable to any action taken or omitted to be taken by the licensee in its capacity as holder of the license for the purpose of complying with directions issued by the Secretary of State under section 34(4) of the Act.
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
Annual Iteration Process	means in relation to the ET2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook.
AONB	means an Area of Outstanding Natural Beauty designated under the National Parks and Access to the Countryside Act 1949 (including any amendments) and the Countryside and Rights of Way Act 2000.

Appropriate Auditor	<p>means:</p> <p>(a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act;</p> <p>(b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and</p> <p>(c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006.</p>
Appropriate Time	<p>means three months, or such shorter period as the Authority may approve in respect of any person or class of persons.</p>
Appropriately Qualified Independent Examiner	<p>means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.</p>
ASCR	<p>means aluminium conductor steel-reinforced cable.</p>
AAAC	<p>means all aluminium alloy conductor.</p>
Asset Data	<p>means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.</p>
Asset Intervention	<p>means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.</p>
Asset Intervention Plan	<p>means a plan that outlines interventions for assets containing sulphur hexafluoride.</p>
Asset Management Systems	<p>means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.</p>
Asset Risk	<p>means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the</p>

	individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associate	means: <ul style="list-style-type: none"> (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller of the licensee; (c) a Participating Owner of the licensee; and (d) a Common Control Company.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
the Authority	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Authority's Website	means www.ofgem.gov.uk .
Base Transmission Revenue	means the revenue calculated in accordance with the formula set out in Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Outputs).
Baseline Network Risk Output	means the cumulative total, for a given risk sub-category, of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' in the licensee's Network Asset Risk Workbook.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Bay Assets	means switchgear at various transmission and distribution voltages which is used for controlled switching and operations of the network but is not used to break fault current and commonly includes, earth switches, disconnectors (isolators) of various designs and surge arrestors.
Bengeworth Road GSP Project	means the project to install a new Grid Supply Point at Bengeworth Road to connect to the main London Power Tunnels.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.

Biodiversity Net Gain	means a measurable net improvement in the Biodiversity Units for a defined area of land compared to the baseline measure of Biodiversity Units before intervention by the licensee.
Biodiversity Unit	means a nominal figure that represents the distinctiveness, condition and size of a habitat.
Black Start Project	means a project to aid local, regional or national restoration of power following a loss of supply.
Black Start Standard	means a publication from government which sets out the procedure used to restore power in the event of a total or partial shutdown of the National Electricity Transmission System.
Boundary Reinforcement Project	means a project which will uplift the Boundary Transfer Capability across one or more specific transmission circuits.
Boundary Transfer Capability	means the maximum amount of power flow across specific transmission circuits following the most onerous secured event of a fault outage without exceeding the thermal rating of any asset forming part of the National Electricity Transmission System, without any unacceptable voltage conditions or insufficient voltage performance and without any transient or dynamic instability of the electrical plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 2.25 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled 'CAF Guidance', version 3.0, published by the National Cyber Security Centre on 30 September 2019 as amended from time to time.
Caithness Moray HVDC Link	means the high voltage electric lines and electrical plant which comprise the following components: <ul style="list-style-type: none"> (a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between converter stations at Spittal and Blackhillock, both within the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005, via an onshore and subsea corridor route of which extends, in part, outside of Great Britain, within the territorial sea

adjacent to Great Britain, any Renewable Energy Zone, or an area designated under section 1(7) of the Continental Shelf Act 1964;

(b) those converter stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and cables to connect each converter station described in paragraph (b) above to substations at Spittal and Blackhillock. and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.

Calculated Revenue	has the value given to it in Part E of Special Condition 2.1 (Revenue restriction).
Calculated Tax Allowance	means the value of the TAX _t term as set out in the “Revenue” sheet of the ET2 Price Control Financial Model.
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener).
Capital Construction	means any project that falls under the licensee's capital delivery arm.
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-1 Network Innovation Allowance for an additional Regulatory Year.
Civil Related Works	means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental (drainage and oil containment issues on substations).
CO ₂ e	means carbon dioxide equivalent.
Commercial Customer	means any person who is supplied or required to be supplied with electricity and is not a Domestic Customer.
Common Control Company	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Competent Authority	means the Secretary of State, the Authority, the Compliance Officer, the London stock exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or

	public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European Union.
Compliance Certificate	means a certificate to certify that to the best of the Single Appointed Director’s knowledge, information and belief, having made due and careful enquiry, the report of the Compliance Officer fairly represents the licensee’s compliance with the Specified Duties.
Compliance Committee	means a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer and the compliance of the licensee with its Specified Duties.
Compliance Officer	means a person appointed by the licensee for the purpose of facilitating compliance by the licensee with its Specified Duties.
Compliance Report	means an annual report provided by the licensee to the Authority which demonstrates its compliance with the Specified Duties during the period since the last Compliance Report and its implementation of the practices, procedures and system adopted in accordance with the Compliance Statement.
Compliance Statement	means a statement provided by the licensee to the Authority describing the practices, procedures and systems by which the licensee will secure compliance with the Specified Duties.
Confidential Information	means any information, which is commercially sensitive, and relates to or derives from the management or operation of the Transmission Business.
Connection Entry Capacity	has the meaning given to that term in the CUSC.
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the “CPIH All Items”, series ID “L522”, published by the Office for National Statistics (or any other public body acquiring its functions).
Cost And Output Adjusting Event	means an Extreme Weather Event; (a) the imposition of additional terms or conditions of any statutory consent, approval or permission (including but not limited to planning consent); (b) unforeseen ground or sea-bed conditions; and (c) for the purposes of a particular LOTI Output, any event that the Authority directs is a Cost And Output Adjusting Event in the Project Assessment Direction; and

(d) for the purposes of the LOTI Output beginning with the words ‘Hinkley – Seabank’, the events listed from paragraph 6l.14(b)(iv) to 6l.14(b)(ix) of Special Condition 6l (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure) of this licence as in force on 31 March 2021.

Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: (a) major detrimental impact on the availability, integrity or delivery of essential services - including those services whose integrity, if compromised, could result in significant loss of life or casualties - taking into account significant economic or social impacts; or (b) significant impact on national security, national defence, or the functioning of the state.
Cruachan Transmission Line	means the double circuit 275kV transmission line extending from the Cruachan Station Works, to the Dalmally Switching Station and thereafter to the Windyhill Substation together with all lattice Towers, conductors, insulators, associated cables and connections, and all other items of plant or equipment making up or supporting said transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in the transfer scheme.
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
CUSC	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).
CVP	means the consumer value propositions which were submitted by the licensee in its Business Plan and accepted by the Authority in its RIIO-2 Final Determinations.

CVP Full Delivery	means the delivery as a minimum of the CVP Outputs for each CVP set out in Appendix 1 to Special Condition 4.8 (Consumer value proposition) by 31 March 2026.
CVP Output	means the outputs set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions)
CVP Reward	means the values set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions)
Cyber Resilience IT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Cyber Resilience OT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowances) by its title and publication date.
Cyber Resilience OT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience OT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance within Special Condition 9.5 (Digitalisation).
De Minimis Business	means any business or activity carried on by the licensee or a relevant Associate other than: (a) the Transmission Business; and

	(b) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d) of Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) .
Demand Connection	means the transmission infrastructure works required to connect new demand capacity to the National Electricity Transmission System.
Demand Connection Capacity	means the incremental increase in the offtake capacity at grid exit points, in MVA, associated with single or multiple new Demand Connections as specified in a relevant agreement between the licensee and the System Operator pursuant to the STC.
Designated Areas	means areas that have a statutory designation as a 'national park' or 'area of outstanding natural beauty' under the National Parks and Access to the Countryside Act 1949 and areas that have a statutory designation as a 'national scenic area' under the Town and Country Planning (Scotland) Act 1997.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Transmission Licensee and Electricity Distribution Licensees), that have not been otherwise funded through Network Charges or services under Special Condition 8B (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).
Disallowed Expenditure	means revenue received (whether by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Special Conditions (or any part or parts of them) would cease to have effect.

Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant Special Conditions (in whole or in part).
Distribution Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Distribution System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Domestic Customer	means any person who is supplied or requires to be supplied with electricity at premises at which a supply of electricity is taken wholly or mainly for domestic purposes (but excludes such person insofar as he is supplied or required to be supplied at premises at which supply is taken for non-domestic purposes).
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
Electricity Arbitration Association	means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.
Electricity Distribution Licensee	means the holder of a licence granted or treated as granted under section 6(1)(c) of the Act.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RIIO-1 NIA Governance Document.
Eligible NIC Project	means a project undertaken by the licensee or any other Transmission Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.

Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Enhancing Pre-existing Infrastructure Project	means a project that has been approved by the Authority prior to 31 March 2021 to reduce the impact of the assets forming part of the licensee's Transmission System on the visual amenity of Designated Areas.
ENS Compensatory Payment Methodology	means the methodology that the licensee is required to publish and maintain pursuant to Part B of Special Condition 6.3 (Energy not supplied compensatory scheme pass-through).
ENS Exceptional Event	for the purposes of Special Condition 4.2 (Energy Not Supplied output delivery incentive) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes: an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 50 faults being recorded by the licensee on the licensee's Transmission System in any 24-hour period, System Operator-Requested Load Shedding; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a court or Competent Authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.
ENS Incentive Methodology Statement	means a document that sets out the methodology the licensee will use to calculate the volume of energy not supplied arising from each Incentivised Loss of Supply Event.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Discretionary Reward Scheme	means the RIIO-ET1 scheme of that name.
Environmental Discretionary Reward Scheme Guidance	means the document of that name maintained by the Authority in accordance with Special Condition 7.7 (Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme).

Environmental Net Gain	means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs.
ET1 Price Control Financial Model	has the meaning given to that term in Special Condition 1A (Definitions and Interpretation) of this licence as in force on 31 March 2021.
ET2 Price Control Financial Handbook	means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and includes specific information and advice about the operation of the Annual Iteration Process and the ET2 Price Control Financial Model, as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).
ET2 Price Control Financial Instrument	means the ET2 Price Control Financial Handbook and the ET2 Price Control Financial Model.
ET2 Price Control Financial Model	means the model of that name (with a suffix referring to the month of November in Regulatory Year t-1) that was first published by the Authority to come into effect on 1 April 2021: <ul style="list-style-type: none"> (a) that is represented by a workbook in Microsoft Excel® format maintained under that name (with a Regulatory Year suffix) on the Authority's Website; and (b) that the Authority will use to determine the value of the term AR_t through the application of the Annual Iteration Process as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).

ET2 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ET2 Price Control Financial Handbook.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Ex-Ante Base Revenue	has the value £1649m.
External Assurance	means a process to reflect the quality of the licensee's performance to its stakeholders used to derive the incentive term SEA _t term in accordance with the process provided for in Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
External Assurance Methodology	means the methodology to support the External Assurance.
External Transmission Activities	means any business of the licensee or any Affiliate or Related Undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National Electricity Transmission System other than the licensee's Transmission System.
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Fibre Wrap Replacement	means replacement of optical fibre wrapped around a conductor to provide communications between electricity transmission assets
Final Needs Case	means a document that sets out the licensee's final view on the need for a LOTI.
Final Statutory Planning Consultation	means the final public consultation that the licensee undertakes before submitting its primary planning application in relation to a potential LOTI.
Flooding Defence Project	means a project to improve the flooding resilience of physical assets connected to the National Electricity Transmission System in accordance with a defined standard.
Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.
Foundations	means all the concrete, reinforcement and steel below-ground which makes up overhead line tower foundations.

Front End Engineering Assessments	means assessment works which define the initial design and cost estimates for a proposed intervention, which are informed by licensee site-based survey and development activities.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.
Funded SF6 Asset Interventions	means interventions on assets containing sulphur hexafluoride, funding for which is provided under Special Condition 3.6 (Net zero Re-opener) or Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), but does not include interventions on assets added to or decommissioned from the Licensee's Transmission System for the purposes of paragraph 4.3.5 of Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive).
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other electricity Transmission Licensees and Electricity Distribution Licensees, in each case to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.
Generation Connection	means the transmission infrastructure works required to connect new generation capacity to the National Electricity Transmission System.
Generation Connection Capacity	means the incremental Transmission Entry Capacity, in MW, for generation connected to the National Electricity Transmission System as specified in the relevant agreement between the licensee and the System Operator pursuant to the STC.
Great Britain	has the meaning given under Standard Condition A1 (Definitions and interpretation).
Green Book Supplementary Guidance	means the supplementary guidance to the document titled 'UK Government Treasury's Green Book, for valuation of energy use and greenhouse gas emissions for appraisal', as from time to time amended.

Greenhouse Gas Protocol Website	means https://ghgprotocol.org/
Grid Code	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Grid Supply Point	means a connection point at which the transmission system is connected to a distribution system
Halted Project Revenues	means revenues received (whether by the licensee or by any other Transmission Licensee or Electricity Distribution Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent or otherwise committed at the time that the Authority requires that project to be halted, in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Harmonic Filtering	means a measure or measures to mitigate the effects on the National Electricity Transmission System of non-standard frequencies above 50Hz.
IIG Baseline Leakage Rate	means the IIG baseline leakage rate as set out within RIIO-2 Final Determinations.
IIG Exceptional Event	means an event or circumstance that is beyond the reasonable control of the licensee and results in, causes, or prohibits the timely prevention of the leakage of an Insulation And Interruption Gas and includes any event or circumstance where the risk of significant danger to the public requires the licensee to prioritise health and safety objectives over the reduction of leakage of an Insulation And Interruption Gas at a particular site.
IIG Inventory	means the complete list of assets on the licensee's Transmission System that contain Insulation And Interruption Gases in tonnes CO ₂ e.
IIG Methodology Statement	means the document prepared by the licensee in accordance with Part B of Special Condition 4.3 (Insulation and Interruption Gas emissions output delivery incentive).
Improvement Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled 'Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain' published by the Authority on 30 November 2018.
Incentivised Loss of Supply Event	means any event on the licensee's Transmission System that causes energy not to be supplied to a customer, subject to the following exclusions:

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- (a) any energy not supplied to customers that have requested a lower standard of connection than that provided in the NETS SQSS (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply);
 - (b) any energy not supplied resulting from a shortage of available generation;
 - (c) any energy not supplied resulting from a de-energisation or disconnection of a User's equipment under an event of default as defined in the CUSC;
 - (d) any energy not supplied resulting from a User's request for disconnection in accordance with the Grid Code;
 - (e) any energy not supplied resulting from emergency de-energisation by a User as defined in the CUSC;
- any energy not supplied resulting from an emergency de-energisation or disconnection of a User's equipment necessary to ensure compliance with the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or otherwise to ensure public safety; and any event lasting less than or equal to three minutes.

Independent Examiner	means a person nominated by and independent of the licensee with the skill and knowledge to undertake an examination.
Initial Needs Case	means a document that sets out the licensee's initial view on the need for a LOTI and, in particular, compares alternative options.
Insulation And Interruption Gas	means a gas with a global warming potential of greater than one, used within electrical switchgear and transmission assets with a suitable dielectric strength to enable use as an insulator to prevent discharge or as an interruption aid to prevent flow of current during planned or non-planned switching.
Instrument Transformer	means a single phase transformer unit that is a high accuracy class electrical device that is used to isolate or transform voltage or current levels.
Instrument Transformer Individual	means a single phase instrument transformer with a driver specific to that individual asset. This could be one of the following: dissolved gas analysis, SF6 leakage, polychlorinated biphenyl.
Instrument Transformer Family	means an individual or group of instrument transformer assets, which are replaced on the basis of the condition of other assets produced by the

	same manufacturer or of the same model. This may also include assets which are on the same circuit, but not of the same variant.
IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
Key Performance Indicators	means measures to reflect the quality of the licensee's performance to its stakeholders.
Kintyre-Hunterston Transmission Line	means both the onshore and subsea 240MVA AC transmission line extending from the Crossaig substation, through the Sound of Bute and up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing in Ardneil Bay, North Ayrshire, together with all associated cables, transformers, switch gear and connections and all other plant and equipment making up or supporting that transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme.
Licensed Activity	has the meaning given to the term "Transmission Business Activities" in Standard Condition B1 (Regulatory Accounts).
Licensee's Offices	means the licensee's offices located in Derby, Eakring, and Warwick. Where the sites are shared with multiple parties, the metrics achieved at the overall site will be attributed in proportion with the capex allocation (as notified by the licensee to the Authority) for each entity residing at the site.
Load Shedding	means the disconnection of demand as a measure to ensure the safety and integrity of the National Electricity Transmission System.
Local Area Energy Plan	means a plan that is the product of a process: <ul style="list-style-type: none"> (a) through which a range of stakeholders including other Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and (b) that has been conducted in the context of enabling energy systems with net zero carbon emissions.
Long-term Monetised Risk	means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-Year Monetised Risk values over the defined period.

Loss of Supply Event	means any event on the licensee's Transmission System that causes electricity not to be supplied to a Domestic Customer or to a Commercial Customer for a period of six hours or longer, subject to the exceptions set out in the licensee's ENS Compensatory Payment Methodology.
LOTI	means the assets constituting an investment in the transmission network, which investment: <p style="margin-left: 40px;">(a) is expected to cost £100m or more of capital expenditure; and</p> <p style="margin-left: 40px;">(b) is, in whole or in part, either;</p> <p style="margin-left: 80px;">(i) load-related; or</p> <p style="margin-left: 80px;">(ii) related to a shared-use or sole-use generator connection project.</p>
LOTI Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.13 (Large onshore transmission investment Re-opener).
LOTI Output	means an output in Appendix 2 to Special Condition 3.13 (Large onshore transmission investment Re-opener).
Managing Director Of Transmission	means a person responsible for the conduct of the Transmission Business and any External Transmission Activities.
Materiality Threshold	has the value £25m.
Medium Sized Investment Project	means a project of the kind listed at paragraph 3.14.6 of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).
Mitigating Pre-existing Infrastructure Policy	means the document the licensee is required to update by Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	means the risk benefit delivered or expected to be delivered by an Asset Intervention, which:

	<p>(a) is the difference between without intervention and with intervention Monetised Risk;</p> <p>(b) can be measured over one year or over a longer period of time; and</p> <p>(c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) Monetised Risk Benefits.</p>
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Handbook	means the document of that name issued by the Authority in accordance with Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
NARM Methodology	means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
National Electricity Transmission System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Net Zero And Re-opener Development Fund	means the use it or lose it allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero and Re-opener Development Fund Governance Document	means the document of that name issued by the Authority in accordance with Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero Carbon Targets	means the targets set out in: <ul style="list-style-type: none"> (a) section 1 of the Climate Change Act 2008; (b) section A1 of the Climate Change (Scotland) Act 2009; and (c) section 29 of the Environment (Wales) Act 2016.
Net Zero Development	means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is: <ul style="list-style-type: none"> (a) a change in national government policy (including policies of the devolved national parliaments); (b) a change in local government policy; (c) the successful trial of new technologies or other technological advances;

	(d) a change in the pace or nature of the uptake of low carbon technologies; or
	(e) new investment arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.
Net Zero Fund	for the purpose of Special Condition 5.5 (Net Zero Fund use it or lose it allowance) means an allowance for the licensee to support vulnerable customers and communities and contribute to the Net Zero Carbon Targets.
NETS SQSS	means the standards that set out the criteria and methodologies for planning and operating the National Electricity Transmission System, as from time to time amended.
Network Access Policy	means the document of that name approved by the Authority under Special Condition 9.10 (Network Access Policy).
Network Asset	means the assets that collectively form the licensee's Transmission System, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.
Network Asset Risk Workbook	means the workbook containing the licensee's Baseline Network Risk Outputs issued by the Authority in accordance with Part B of Special Condition 3.1 (Baseline Network Risk Outputs).
Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.
NGESO	means National Grid Electricity System Operator Limited.
NGET Redacted Information Document	means the document of that name sent by the Authority to the licensee on 3 February 2021 containing information redacted from this licence.

NIA	means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance).
NIC	means the arrangements known as the network innovation competition established by Special Condition 3I (The Network Innovation Competition) of this licence as in force on 31 March 2021.
NIC Funding	means the total amount of funding authorised by the Authority for the licensee and other Transmission Licensees and Electricity Distribution Licensees, in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.
NIC Funding Mechanism	means the mechanism by which the licensee receives the amount of NIC Funding from the System Operator, less any Funding Return.
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part B of Special Condition 7.11 (RIIO-ET1 network innovation competition).
No Net Loss	means the impacts on biodiversity caused by construction are offset so that no loss remains.
No Net Loss In Biodiversity	means full mitigation of the biodiversity impacts of a project that is in the licensee's capital delivery arm.
NOA	means the Network Options Assessment required by Standard Condition C27 (The Network Options Assessment process and reporting requirements).
NOA Proceed Signal	means where the outcome of the NOA indicates that a project should continue to be progressed.
NOMs Incentive Methodology	means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6 December 2018, as amended in accordance with Part B of Special Condition 7.10 (Close out of the RIIO-1 Network Outputs).
NOMs Methodology	means the methodology approved under Special Condition 2L (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook (as amended in accordance with Part B of Special Condition 3.1 (Baseline Network Risk Outputs)) that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.

Non-operational IT Capex	has the meaning given to that term in the RIGs.
Non-Technical Mitigation Projects	means a landscaping or environmental enhancement scheme that has been informed by stakeholder engagement, to mitigate the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas.
NP	means a National Park designated under the National Parks and Access to the Countryside Act 1949 (including any amendments).
NTMP Value	means the amount of costs for Non-Technical Mitigation Projects that is calculated in accordance with Part A of Special Condition 5.4 (Non-Technical Mitigation Projects allowance).
Offshore Transmission Licence	means a transmission licence held by an Offshore Transmission Owner.
Offshore Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Operational Load Management Scheme Project	means a project which will deploy an overarching control system to ensure relevant transmission assets are not overloaded.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity.
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to electricity transmission.
Outage Changes	means a change to the outage plan notified to the licensee by the System Operator on or after week 49, as updated from time to time in accordance with the procedures set out in the STC.
Outturn Network Risk Outputs	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Outputs.
Overhead Line Conductor	means all conductor strung on overhead line Towers.

Participating Owner	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Guidance	means the guidance document issued by the Authority in accordance with Part F of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model).
PCFM Variable Values	means the values in the table of that name in the ET2 Price Control Financial Model.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transmission Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Physical Security Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable) by its title and publication date.
Physical Security PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable) by its title and publication date.
Physical Security Upgrade Programme	means physical security investment at Critical National Infrastructure sites as mandated by government.
Pre-Construction Funding	means the funding required to complete Pre-Construction Works on a potential LOTI project.
Pre-Construction Works	means: <ul style="list-style-type: none"> (a) surveys, assessments and studies; (b) project design; (c) engineering development; (d) stakeholder engagement and consultation; (e) tasks associated with wayleaves; (f) planning applications; and (g) tender activities

	undertaken for the purposes of developing a LOTI to the point where all material planning consents have been obtained and the project is ready to begin construction.
Pre-existing Transmission Infrastructure	means transmission infrastructure assets forming part of the licensee's Transmission System on 1 April 2013.
Prescribed Rates	means: <ul style="list-style-type: none"> (a) business rates in England and Wales; and (b) non-domestic rates in Scotland or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.9, 3.10, 3.14, 3.15, 3.20 to 3.25 and 3.27.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, 'Decision on the Authority's policy for funding Pension Scheme Established Deficits' dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2021.
Project Assessment Direction	means a direction by the Authority, following a submission from the licensee justifying its costs for delivering a LOTI, specifying a LOTI Output, delivery date and associated allowances.
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Protection And Control	means light current equipment used to identify and rectify faults and provide interface to enable switching on the network.
PSUP Solution	means the site physical security upgrade specified by the government.
Qualifying Project	means a network development project that affects the local environment that has either: <ul style="list-style-type: none"> (a) passed through and been granted external planning approval; or (b) passed through the licensee's internal decision making stage 'network development process gate C'.
RAV	means regulatory asset value.

Rebased Baseline Network Risk Outputs	means a Baseline Network Risk Outputs that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority’s approval. If approved by the Authority, the Rebased Baseline Network Risk Outputs will supersede the Baseline Network Risk Outputs for the purposes of Special Condition 3.1 (Baseline Network Risk Outputs).
Rebasing	means the process of modifying the Baseline Network Risk Outputs as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Recovered Revenue	has the meaning given to that term in Part B of Special Condition 2.1 (Revenue restriction).
Regulatory Year	means a period of twelve months commencing on 1 April.
Related Undertaking	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Relevant Duties	means the obligations set out in Special Condition 9.14 (Restriction on use of certain information).
Relevant Other Competitive Businesses	means the business of: <ul style="list-style-type: none"> (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore Transmission Licence is to be granted; (b) an Offshore Transmission Owner; (c) undertaking carbon capture and storage activities; or (d) owning or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Relevant Special Condition	means Special Condition 2.1 (Revenue restriction), together with such of the Special Conditions of this licence as are ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: <ul style="list-style-type: none"> (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
Renewable Energy Zone	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).

Re-opener	<p>means the mechanisms created by:</p> <p>(a) Special Conditions 3.6 to 3.8, 3.13, 3.16, 3.31 to 3.35 and</p> <p>(b) Parts C, D and E of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C, D and E of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), , Part C of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.27 (SF6 asset intervention Re-opener and Price Control Deliverable).</p>
Re-opener Guidance and Application Requirements Document	<p>means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).</p>
Retail Prices Index	<p>means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).</p>
Returned Project Revenues	<p>means:</p> <p>(a) revenues received by the licensee from the System Operator under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and</p> <p>(b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royal Income.</p>
Returned Royalty Income	<p>means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees), less Directly Attributable Costs, that is payable to customers under the NIC</p>

	Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
RIGs	means the document published by the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).
RIIO-1 Justified Material Over-delivery	means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Justified Material Under-delivery	means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Materially Equivalent Output	means an equivalent level of risk to a RIIO-1 Network Output.
RIIO-1 Network Innovation Allowance	means the arrangements established by Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.
RIIO-1 Network Output	means the network replacement outputs as set out in Table 1 of Special Condition 2M (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.
RIIO-1 NIA Governance Document	means the document issued by the Authority in accordance with Part E of Special Condition 3H (The Network Innovation Allowance) as in force on 31 March 2021.
RIIO-1 NOMs Principles	means the principles set out in Chapter 2 of the document titled 'Network Output Measures (NOMs) Incentive Methodology' published by the Authority on 6 December 2018.
RIIO-ET2 Business Plan Data Template	means the document of that name submitted by the licensee to the Authority on 9th December 2019.
RIIO-2 Final Determinations	means the documents published by the Authority on 8 December 2020 setting out the Authority's decisions in relation to the Price Control Period.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-2 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance

	Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-ET1	means the price control that applied to the licensee for the period of eight years beginning on 1 April.
RPEs	has the meaning given to the term “Real Price Effects” as defined in Appendix 1 to the ET2 Price Control Financial Handbook
Security Period	means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.
Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
SF6 Alternative Gas	means an Insulation and Interruption Gas, but does not include sulphur hexafluoride.
Shared Services	means shared corporate services as specified in the Compliance Statement.
Single Appointed Director	means a member of the managerial board for the licensee, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the Compliance Officer and the licensee’s compliance with the Specified Duties.
Single-year Monetised Risk	means the Monetised Risk measured over a given one-year time period.
SONIA	means the daily values of the sterling overnight index average, series ID “IUDSOIA”, published by the Bank of England (or any other public body acquiring its functions).
SO-TO Optimisation Governance Document	means the document issued by the Authority under Part B of Special Condition 4.7 (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Report	means a document prepared and published by the licensee in accordance with Part C of Special Condition 4.7 (SOTO optimisation output delivery incentive).
SO-TO Optimisation Solutions	has the meaning given to that term in the SO-TO Optimisation Governance Document.

Specified Duties	means the obligations pursuant to Special Condition 9.18 (Business separation requirements and compliance obligations) including Standard Condition B5 (Prohibition of Cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.17 (Prohibited Activities and Conduct of the Transmission Business).
Stakeholder Engagement Reward	means the reward provided for in Part B of Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
Stakeholder Engagement Reward Guidance	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 7.6 (Close out of the RIIO-ET1 stakeholder satisfaction output).
Statement of Transmission Owner Charges	means a statement which the licensee must have in place by virtue of Special Condition 9.12 (Basis of Transmission Owner Charges).
STC	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
STCP11.4 Enhanced Service Provision	means the provision of that name that is published on the NGENSO's website https://www.nationalgrideso.com/
Subsea Cable	means components of circuits in the licensee's Transmission System that are installed in the sea, ocean or other large body of water.
Subsea Cable Fault	means when a Subsea Cable cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Subsea Cable Repair	means the remedial works that a licensee undertakes to repair or replace a Subsea Cable that cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Successful Delivery Reward	has the meaning given to that term by the NIC Governance Document.
System Operator	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
System Operator Functions	means the activities of NGENSO pursuant to the obligations under Section C (System Operator Standard Conditions) of this licence, for which there are no equivalent obligations under Section D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions), of the standard conditions contained in a Transmission Licence.

System Operator- Requested Load Shedding	means a request by the System Operator for the licensee to reduce demand on its Transmission System through the deliberate staged disconnection of customers, where network conditions leading to the request were not attributable to any error, action or inaction on the licensee's part.
T/CO2e	means tonnes of carbon dioxide equivalent emissions.
Tax Reconciliation	means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority as part of the ET2 Price Control Financial Model.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the ET2 Price Control Financial Handbook.
Timely Connections Obligations	means the requirements on the licensee to make timely offers of connection terms as set out in Standard Condition D4A (Obligations in relation to offers for connection etc) and paragraph 4.8 in Part 2 of Section D of the STC (subject to paragraph 4.9 of that same Part).
Total NIA Expenditure	means expenditure that satisfies the requirements of the RIIO-2 NIA Governance Document and is partly recovered by the licensee under the Special Condition 5.2 (RIIO-2 network innovation allowance).
Totex Allowance	means the allowance used for the Totex Incentive Mechanism and is the sum of values under the heading "Totex allowance" in the "Input" sheet of the ET2 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the ET2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <ul style="list-style-type: none"> (a) the licensee's Totex Allowance; and (b) the licensee's actual totex expenditure.
Totex Incentive Strength	has the value 33%
Towers	means steel structures used to support power carrying conductors and insulators at a distance.
Tower Steelwork	means the steel members that make up lattice overhead line Towers.
Transmission Area	means the area that comprises:

	(a) England and Wales; and
	(b) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Western HVDC Link owned by the licensee passes through.
Transmission Business	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Business Activities	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).
Transmission Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Licensee	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Network Services	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission System	has the meaning given to that term by section 4(4) of the Act.
Tyne Crossing Project	means the project to replace the overhead line part of Transmission System which crosses the River Tyne.
Ultimate Controller	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Unfair Commercial Advantage	means any such advantage from a preferential or discriminatory arrangement, and for the licensee is in connection with a business other than its Transmission Business.
Untimely Offers	means connection offers made other than in accordance with the licensee's Timely Connections Obligations.
Use It Or Lose It Adjustment	means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to: <ul style="list-style-type: none"> (a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment),

-
- (b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance);
 - (c) the delivery of capex substation auxiliary equipment in relation to Special Condition 3.26 (Substation auxiliary systems use it or lose it allowance); or
 - (d) the licensee's stated aims of the allowance provided by Special Condition 5.6 (Net zero carbon Capital Construction use it or lose it allowance) as set out in the licensee's Environmental Action Plan which will not exceed the allowance provided.

User	means any person (other than the System Operator or a Transmission Owner) who is authorised to generate, participate in the transmission of, distribute or supply electricity or who is included in a class of person or persons which has been granted an exemption from section 6 of the Act and any person engaged in the sale or purchase of electricity or who otherwise purchases or acquires for purchase electricity.
Visual Impact Mitigation Price Control Deliverables	means the outputs, delivery dates and allowances set out in Appendix 1 to Special Condition 3.10 (Visual impact mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).
WACC	means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook.
Western HVDC Link	<ul style="list-style-type: none">(a) means the high voltage electric lines and electrical plant which comprise the following components:<ul style="list-style-type: none">a high voltage direct current cable, the sole purpose of which is to transmit electricity between the Transmission Area of SP Transmission Limited and that part of the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;(b) convertor stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and

(c) cables to connect each converter station described in paragraph (b) above to an appropriate substation in each of the licensee's Transmission Area and SP Transmission Limited's Transmission Area as defined in Special Condition 1.1 of their licence, respectively and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.

Working Day

means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.

Special Condition 1.2 Amendments to the standard conditions for the purposes of this licence

Introduction

1.2.1 The purpose of this licence condition is to modify the standard conditions in their application for the purposes of this licence.

Part A: Modifications

1.2.2 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

- a) by the addition in the definition of “distribution system” immediately after “any electrical plant” insert "remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and";
- b) in the definition of “GB transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
- c) in the definition “national electricity transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
- d) after the definition of "relinquishment of operational control" insert:

""remote transmission assets" means any electric lines, electrical plant or meters in England and Wales owned by the licensee which:
are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and
are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator.";

- (e) at the definition of “transmission business” delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of “transmission constraint costs” and insert in its place the following new sub-paragraphs:
 - i. “any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement;

- i. any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons; or
- ii. any business of National Grid Electricity System Operator Limited (Company Number 11014226) and its affiliates or related undertakings that is participating in the transmission of electricity pursuant to a transmission licence held by National Grid Electricity System Operator Limited”.

Chapter 2 Revenue restriction

Special Condition 2.1 Revenue restriction

Introduction

- 2.1.1 The purpose of this condition is to ensure that the licensee sets Network Charges to aim to recover no more than Allowed Revenue.
- 2.1.2 This condition also provides for the calculation of the term AR_t (the Allowed Revenue term).

Part A: Licensee's obligation when setting Network Charges

- 2.1.3 The licensee must, when setting Network Charges use its best endeavours to ensure that Recovered Revenue does not exceed Allowed Revenue.

Part B: Recovered Revenue term (RR_t)

- 2.1.4 Recovered Revenue (RR_t) means the revenue (measured on an accruals basis) derived from the provision of Transmission Network Services (including to any separate business, other than the Transmission Business) in the Regulatory Year, after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so derived.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

- 2.1.5 The value of AR_t is derived in accordance with the following formula:

$$AR_t = ADJR_t^* + K_t + LAR_t$$

where:

- $ADJR_t^*$ means adjusted revenue published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t ;
- K_t means the K correction term and is derived in accordance with Part H of this condition; and
- LAR_t is derived in accordance with Special Condition 7.1 (Legacy adjustments to revenue).

Part D: Formula for calculating Adjusted Revenue ($ADJR_t$)

- 2.1.6 The value of $ADJR_t$ is derived in accordance with the following formula:

$$ADJR_t = R_t \frac{PI_t}{PI_{2018/19}} + ADJ_t$$

where:

- R_t means the Calculated Revenue term calculated in accordance with Part E;
- PI_t means the price index term derived in accordance with Part F; and
- ADJ_t means the AIP adjustment term derived in accordance with Part G.

Part E: Formula for calculating the Calculated Revenue term (R_t)

- 2.1.7 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + ODI_t + BPI_t + ORA_t + TAX_t + TAXA_t$$

where:

FM_t	means fast money and has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model;
PT_t	is derived in accordance with Special Condition 6.1 (Pass-through items);
DPN_t	means depreciation and has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model;
RTN_t	means return and has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model;
$RTNA_t$	means return adjustment and is derived in accordance with Special Condition 2.3 (Return Adjustment);
EIC_t	means equity issuance costs and has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model;
DRS_t	means Directly Remunerated Services and has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model;
ODI_t	is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
BPI_t	means the business plan incentive term and has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model;
ORA_t	means other revenue allowances and is derived in accordance with Special Condition 5.1 (Total other revenue allowances);
TAX_t	has the value set out in the "Revenue" sheet of the ET2 Price Control Financial Model; and
$TAXA_t$	means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.2 (Tax allowance adjustment).

Part F: Formula for calculating the price index term (PI_t)

2.1.8 The value of PI_t is the arithmetic average value of each of the twelve monthly values of PI_m from 1 April to 31 March within Regulatory Year t , derived in accordance with the following formula:

$$PI_m = \begin{cases} PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m \geq \text{April 2021} \\ RPI_m, & \text{if } m < \text{April 2021} \end{cases}$$

where:

m refers to a year and month;

RPI_m means the Retail Prices Index for the year and month m ; and

$CPIH_m$ means the arithmetic average of the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m .

Part G: AIP adjustment term (ADJ_t)

2.1.9 For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.

2.1.10 For subsequent Regulatory Years, the value of ADJ_t is derived in accordance with the following formula:

$$ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*)(1 + TVM_{t-1})$$

where:

$ADJR_t$ is derived in accordance with Part D;

$ADJR_t^*$ means adjusted revenue published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t; and

TVM_t means the time value of money term derived in accordance with paragraph 2.1.11.

2.1.11 The value of TVM_t is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

where:

$WACC_t$ means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook; and

PI_t means the price index derived in accordance with Part F.

Part H: Correction term (K_t)

2.1.12 For the Regulatory Year commencing on 1 April 2020, the value of K is zero.

2.1.13 For subsequent Regulatory Years, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\%)$$

where

AR_t For Regulatory Years commencing on or after 1 April 2021 AR_t is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2020 AR_t has the value of Allowed Transmission Owner Revenue derived in accordance with Part B of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021;

RR_t means Recovered Revenue and is derived in accordance with Part B; and

I_t means the average value of SONIA.

Special Condition 2.2 Tax allowance adjustment (TAXA_t)

Introduction

- 2.2.1 The purpose of this condition is to calculate any adjustment to the term TAXA_t (the tax allowance adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required following a review of material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook.
- 2.2.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and given the reasons for that decision, the licensee must:
 - a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability and submit a report to the Authority;
 - b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
 - c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority and the examiner after discussing with the examiner; and
 - d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, after discussing with the examiner.
- 2.2.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
 - a) direct any adjustment to the value of the TAXA_t term that it considers should be made taking account of the report, and
 - b) specify the Regulatory Years to which that adjustment relates.

Part B: What process will the Authority follow in making a direction?

- 2.2.7 Before making a direction under paragraph 2.2.6, the Authority will publish on the Authority's Website:
 - a) the text of the proposed direction;
 - b) the reasons for the proposed direction; and
 - c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.3 Return Adjustment (RTNA_t)

Introduction

- 2.3.1 The purpose of this condition is to calculate the term RTNA_t (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.3.2 The effect of this condition is to adjust Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.3.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.3.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.3.5 Following its review, the Authority will direct any adjustment to the value of the term RTNA_t in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term (RTNA_t)

- 2.3.6 The value of RTNA_t is derived in accordance with the following formula:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G)}$$

where:

- RTNR* means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraph 2.3.7 and 2.3.8;
- RAVL_t* means the RAV value for the licensee and has the value derived in accordance with the ET2 Price Control Financial Model; and
- G* means notional gearing, and has the value of 55%.

- 2.3.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot [MAX(MIN(EO - OPP, EO), 0) - MAX(MIN(OPP, T2) - T1, 0) \cdot AR1 - MAX(OPP - T2, 0) \cdot AR2]$$

where:

- RAVL_t* means the RAV value for the licensee and has the value derived in accordance with the ET2 Price Control Financial Model;
- G* means notional gearing, and has the value of 55%;
- EO* means expected outperformance, and has the value derived in accordance with the ET2 Price Control Financial Model;
- OPP* means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ET2 Price Control Financial Model;
- T1* means threshold 1, and has the value of 3%;

- T2* means threshold 2, and has the value of 4%;
AR1 means adjustment rate 1, and has the value of 50%; and
AR2 means adjustment rate 2, has the value of 90%.

2.3.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot [EO + MAX(MIN(-OPP, T2) - T1, 0) \cdot AR1 + MAX(-OPP - T2, 0) \cdot AR2]$$

where each term has the meaning given in paragraph 2.3.7.

Part C: What process will the Authority follow in making a direction?

2.3.9 Before making a direction under paragraph 2.3.5, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

2.3.10 A direction under paragraph 2.3.5 will set out the value of the $RTNA_t$ term and the Regulatory Years to which that adjustment relates.

Chapter 3 Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs (NARM_t)

Introduction

- 3.1.1 This condition sets out the requirements on the licensee in respect of Baseline Network Risk Outputs and specifies the value of the term NARM_t (the Baseline Allowed NARM Expenditure term), which contributes to the calculation of the Totex Allowance.
- 3.1.2 It also sets out:
- a) the processes for issuing and amending the Network Asset Risk Workbook and the NARM Handbook; and
 - b) the requirements on the licensee in respect of a closeout report.

Part A: Requirement to deliver Baseline Network Risk Outputs

- 3.1.3 By the end of the Price Control Period, the licensee must deliver its Baseline Network Risk Outputs in accordance with sheet '1.1. Baseline Network Risk Outputs' of the Network Asset Risk Workbook.
- 3.1.4 Any relevant funding adjustments and penalties to reflect the licensee's Outturn Network Risk Outputs and incurred costs of delivery will be calculated by the Authority in accordance with the NARM Handbook.

Part B: Network Asset Risk Workbook

- 3.1.5 The Authority will issue and amend the Network Asset Risk Workbook by direction.
- 3.1.6 The Authority will publish the Network Asset Risk Workbook on the Authority's Website.
- 3.1.7 Before issuing the Network Risk Asset Workbook by direction, the Authority will publish on the Authority's Website:
- a) the text of the proposed Network Risk Asset Workbook;
 - b) the date on which the Authority intends the Network Risk Asset Workbook to come into effect; and
 - c) a period during which representations may be made on the content of the Network Risk Asset Workbook, which will not be less than 28 days.
- 3.1.8 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:
- a) the text of the amended Network Risk Asset Workbook;

- b) the date on which the Authority intends the amended Network Risk Asset Workbook to come into effect;
- c) the reasons for the amendments to the Network Risk Asset Workbook; and
- d) a period during which representations may be made on the amendments to the Network Risk Asset Workbook, which will not be less than 28 days.

Part C: NARM Handbook

3.1.9 The Authority will issue and amend the NARM Handbook by direction.

3.1.10 The Authority will publish the NARM Handbook on the Authority's Website.

3.1.11 Before issuing the NARM Handbook by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed NARM Handbook;
- b) the date on which the Authority intends the NARM Handbook to come into effect; and
- c) a period during which representations may be made on the content of the NARM Handbook, which will not be less than 28 days.

3.1.12 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended NARM Handbook;
- b) the date on which the Authority intends the amended NARM Handbook to come into effect;
- c) the reasons for the amendments to the NARM Handbook; and
- d) a period during which representations may be made on the amendments to the NARM Handbook, which will not be less than 28 days.

Part D: Baseline Allowed NARM Expenditure for Baseline Network Risk Outputs (NARM_t)

3.1.13 The licensee's Baseline Allowed NARM Expenditure for delivering its Baseline Network Risk Outputs is set out in Appendix 1.

Part E: Process for Rebasing Baseline Network Risk Outputs

3.1.14 The Rebased Baseline Network Risk Outputs submitted in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology) must:

- a) be calculated using the NARM Methodology as approved under paragraph 9.2.9;

- b) be representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
- c) be as Equally Challenging as the Baseline Network Risk Outputs; and
- d) be in the same format as the Network Asset Risk Workbook.

3.1.15 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:

- a) approve it;
- b) approve it with adjustments; or
- c) reject it.

3.1.16 Before issuing a direction under paragraph 3.1.15, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the date on which the Authority intends the proposed direction to come into effect;
- c) the reasons for the proposed direction; and
- d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.1.17 Any Rebased Baseline Network Risk Outputs approved by the Authority under paragraph 3.1.15(a) or (b) will supersede the Baseline Network Risk Outputs for the purpose of this condition.

Part F: Requirement to provide a closeout report

3.1.18 On or before 31 October 2026, the licensee must provide to the Authority a report, together with detailed supporting evidence, setting out the following:

- a) the licensee's Outturn Network Risk Outputs;
- b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
- c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs; and
- d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified.

Appendix 1 Baseline Allowed NARM Expenditure (NARM_t) for delivering Baseline Network Risk Outputs, £m, 2018/19 Prices

Regulatory Year	NARM_t excluding RPEs (£m)
2021/22	111.6
2022/23	72.64
2023/24	71.35
2024/25	31.47
2025/26	49.02
RIIO-2 Total	336.08

Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT_t and CROTRE_t)

Introduction

3.2.1 The purpose of this condition is to calculate the terms CROT_t (the cyber resilience OT Price Control Deliverable term) and CROTRE_t (the cyber resilience OT Re-opener term). These contribute to the calculation of the Totex Allowance.

3.2.2 The effect of this condition is to:

- a) establish the Cyber Resilience OT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to OT;
- b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience OT PCD Table;
- c) require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;
- d) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience OT PCD Table during the Price Control Period;
- e) require the licensee to report regularly to the Authority on cyber resilience OT; and
- f) provide for an assessment of delivery under this condition, including a Use It Or Lose It Adjustment.

3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.11, 3.2.15 or 3.2.17.

Part A: Formulae for calculating the cyber resilience OT term (CROT_t) and the cyber resilience OT Re-opener term (CROTRE_t)

Part B

3.2.4 The value of CROT_t is derived in accordance with the following formula:

$$CROT_t = CROTA_t - CROTRA_t$$

where:

CROTA_t means the allowances in the Cyber Resilience OT Baseline Allowances Table; and

CROTRA_t has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.2.5 The value of CROTRE_t is derived in accordance with the following formula:

$$CROTRE_t = CROTO_t - CROTRO_t$$

where:

$CROTO_t$ means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C, D and E; and

$CROTRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part C: Cyber resilience OT outputs

3.2.6 The Cyber Resilience OT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience OT PCD Table.

Part D: Requirement to submit a Cyber Resilience OT Plan and Re-opener application

3.2.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

- a) a Cyber Resilience OT Plan; and
- b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as it considers are warranted by its Cyber Resilience OT Plan.

3.2.9 A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes.

3.2.10 An application under paragraph 3.2.8(b) must be made in writing and:

- a) include statements:
- b) setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience OT PCD Table;
- c) explaining how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes; and
- d) explaining the basis of the calculations for any amendments requested to allowances; and
- e) provide such detailed supporting evidence as is reasonable in the circumstances.

Part E: Cyber resilience OT Re-opener

3.2.11 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in the Cyber Resilience OT PCD Table where it considers there are:

- a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
- c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT.

3.2.12 The licensee may only apply to the Authority under paragraph 3.2.11 Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.2.13 An application under paragraph 3.2.11 must be made in writing to the Authority and must:

- a) give details of the circumstances referred to in paragraph 3.2.11 that the licensee considers exist;
- b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience OT PCD Table;
- c) explain how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- d) explain the basis of the calculations for any amendments requested to allowances; and
- e) provide such detailed supporting evidence as is reasonable in the circumstances

3.2.14 An application under paragraph 3.2.11 must:

- a) relate to circumstances of the type referred to in paragraph 3.2.11 that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.8;
- b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Authority triggered Re-opener

3.2.15 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in the Cyber Resilience OT PCD Table without an application being made under paragraph 3.2.11, where it considers that:

- a) circumstances of the type referred to in paragraph 3.2.11 exist; or
- b) circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.

3.2.16 In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part G: Assessment of the Cyber Resilience OT Price Control Deliverable (CROTR_t and CROTRO_t)

3.2.17 The Authority will direct a value for CROTR_t and CROTRO_t where either of the following is appropriate:

- a) an adjustment in accordance with the PCD Reporting Requirements and Methodology Document, where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table;
- b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

Part H: Reporting Requirements

3.2.18 The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
- b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table;
- c) the licensee's assessment of the impact of the progress and developments referred to in paragraphs 3.2.18(a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- d) a description of how the licensee has considered any relevant guidance provided by the Authority;
- e) a summary of the current status of CAF Outcomes; and
- f) detailed supporting evidence as is reasonable in the circumstances.

3.2.19 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.18 by no later than the dates, and in relation to the periods, set out in Appendix 3.

Part I: What process will the Authority follow in making a direction?

3.2.20 Before making a direction under paragraph 3.2.8, 3.2.11, 3.2.15 or 3.2.17 the Authority will send to the licensee:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.2.21 A direction under paragraph 3.2.8, 3.2.11 or 3.2.15 will:

- a) set out in full the Cyber Resilience OT PCD Table as amended; and
- b) replace the text in Appendix 2 with the title and publication date of the direction.

3.2.22 A direction under paragraph 3.2.17 will set out the value of the CROTR_t and CROTRO_t term and the Regulatory Years to which those adjustments relate.

Appendix 1 Title and publication date of document containing the Cyber Resilience OT Baseline Allowances Table

Title	Publication Date
RIIO-2 Final Determinations - NGET OT Cyber Resilience (REVISED)	3 February 2021

Appendix 2 Title and publication date of document containing the Cyber Resilience OT PCD Table

Title	Publication Date
RIIO-2 Final Determinations - NGET OT Cyber Resilience (REVISED)	3 February 2021

Appendix 3 Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 October to 31 March
31 January	1 April to 30 September

Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT_t and CRITRE_t)

Introduction

3.3.1 The purpose of this condition is to calculate the terms CRIT_t (the Cyber resilience IT Price Control Deliverable term) and CRITRE_t (the cyber resilience IT Re-opener term). These contribute to the calculation of the Totex Allowance.

3.3.2 The effect of this condition is to:

- a) establish the Cyber Resilience IT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to IT;
- b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;
- c) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
- d) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience IT PCD Table during the Price Control Period;
- e) require the licensee to report regularly to the Authority on cyber resilience IT; and
- f) provide for an assessment of the Price Control Deliverable.

3.3.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.3.8, 3.3.11, 3.3.15 or 3.3.17.

Part A: Formulae for calculating the cyber resilience IT term (CRIT_t) and the cyber resilience OT Re-opener term (CROTRE_t)

3.3.4 The value of CRIT_t is derived in accordance with the following formula:

$$CRIT_t = CRITA_t - CRITRA_t$$

where:

CRITA_t means the allowances in the Cyber Resilience IT Baseline Allowances Table; and

CRITRA_t has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.3.5 The value of CRITRE_t is derived in accordance with the following formula:

$$CROTRE_t = CRITO_t - CRITRO_t$$

where:

$CRITRO_t$ means the sum of allowances directed by the Authority as a result of Re-openers established by Parts D and E; and

$CRITRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: Cyber resilience IT outputs

3.3.6 The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.3.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application

3.3.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

- a) a Cyber Resilience IT Plan; and
- b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan.

3.3.9 A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems.

3.3.10 An application under paragraph 3.3.8(b) must be made in writing and:

- a) include statements:
- b) setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table;
- c) explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems; and
- d) explaining the basis of the calculations for any amendments requested to allowances; and
- e) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience IT Re-opener

3.3.11 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in the Cyber Resilience IT PCD Table where it considers there are:

- a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;
- b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite; or
- c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT.

3.3.12 The licensee may only apply to the Authority under paragraph 3.3.11 Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.3.13 An application under paragraph 3.3.11 must be made in writing to the Authority and must:

- a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;
- b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT PCD Table;
- c) explain how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems;
- d) explain the basis of the calculations for any amendments requested to allowances; and
- e) include such detailed supporting evidence as is reasonable in the circumstances.

3.3.14 An application under paragraph 3.3.11 must:

- a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;
- b) take account of any allowed expenditure which can be avoided as a result of the change; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E Authority triggered Re-opener

3.3.15 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in the Cyber Resilience IT PCD Table without an application being made under paragraph 3.3.11, where it considers that:

- a) circumstances of the type referred to in paragraph 3.3.11 exist; or
- b) circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.

3.3.16 In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F Assessment of the Price Control Deliverable (CRITRA_t and CRITRO_t)

3.3.17 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRIRA_t and CRIRO_t where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

Part G Reporting Requirements

3.3.18 The licensee must send reports to the Authority, in a form approved by the Authority, that include:

- a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
- b) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;
- c) the licensee's assessment of the impact of the progress and developments referred to in paragraphs 3.3.18(a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
- d) a description of how the licensee has considered any relevant guidance provided by the Authority; and
- e) such detailed supporting evidence as is reasonable in the circumstances.

3.3.19 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.3.18 by no later than the dates, and in relation to the periods, set out in Appendix 3.

Part H What process will the Authority follow in making a direction?

3.3.20 Before making a direction under paragraph 3.3.8, 3.3.11, 3.3.15 or 3.3.7, the Authority will send to the licensee:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and

- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.3.21 A direction under paragraph 3.3.8, 3.3.11 or 3.3.15 will:

- a) set out in full the Cyber Resilience IT PCD Table as amended; and
- b) replace the text in Appendix 2 with the title and publication date of the direction.

3.3.22 A direction under paragraph 3.3.17 will set out the value of the CRITRA_t and CRITRO_t term and the Regulatory Years to which those adjustments relate.

Appendix 1 Title and publication date of document containing the Cyber Resilience IT Baseline Allowances Table

Title	Publication Date
RIO-2 Final Determinations – NG Group IT Cyber Resilience (REVISED)	3 February 2021

Appendix 2 Title and publication date of document containing the Cyber Resilience IT PCD Table

Title	Publication Date
RIO-2 Final Determinations – NG Group IT Cyber Resilience (REVISED)	3 February 2021

Appendix 3 Report submission dates and the associated periods to be reported on Dates each year by which reports must be Associated periods to be reported on submitted from 31 January 2022 to 31 July 2026

31 July	1 October to 31 March
31 January	1 April to 30 September

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP_t and PSUPRE_t)

Introduction

3.4.1 The purpose of this condition is to calculate the terms PSUP_t (the physical security Price Control Deliverable term) and PSUPRE_t (the physical security Re-opener term). These contribute to the calculation of the Totex Allowance.

3.4.2 The effect of this condition is to:

- a) establish the Physical Security PCD Table, which specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee and Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.4.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.7, 3.4.11 or 3.4.12.

Part A: Formulae for calculating the physical security Price Control Deliverable term (PSUP_t) and the physical security Re-opener term (PSUPRE_t)

3.4.4 The value of PSUP_t is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

PSUPA_t means the sum of allowances in the Physical Security Baseline Allowances Table; and

PSUPRA_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.4.5 The value of PSUPRE_t is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

PSUPO_t means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C and D; and

PSUPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.4.6 The Physical Security PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Physical security Re-opener

3.4.7 The licensee may apply to the Authority for a direction amending the Physical Security PCD Table where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.

3.4.8 The licensee may only apply to the Authority under paragraph 3.4.7 Between 25 January and 31 January in year 2024, or during such later periods as the Authority may direct.

3.4.9 An application under paragraph 3.4.7 must be made in writing to the Authority and include statements:

- a) setting out the changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
- b) setting out the Critical National Infrastructure classification for each site to which the application relates;
- c) setting out any amendments to the outputs, delivery dates or allowances in the Physical Security PCD Table;
- d) explaining the basis of the calculations for any amendments requested to allowances; and
- e) providing such detailed supporting evidence as is reasonable in the circumstances.

3.4.10 An application under paragraph 3.4.7 must:

- a) relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme on or after 9 December 2019;
- b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered Re-opener

3.4.11 The Authority will also consider directing amendments to the outputs, delivery dates or allowances in the Physical Security PCD Table where there have been changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:

- a) have been mandated on or after 9 December 2019; and

- b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of the physical security Price Control Deliverable (PSUPRA_t and PSUPRO_t)

3.4.12 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for PSUPRA_t and PSUPRO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction?

3.4.13 Before making a direction under paragraph 3.4.7, 3.4.11 or 3.4.12, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.4.14 A direction under paragraph 3.4.7 or 3.4.11 will:

- a) set out in full the Physical Security PCD Table as amended; and
- b) replace the text in Appendix 2 with the title and publication date of the direction.

3.4.15 A direction under paragraph 3.4.12 will set out the value of the PSUPRA_t and PSUPRO_t terms and the Regulatory Years to which those adjustments relate.

Appendix 1 Title and publication date of document containing the Physical Security Baseline Allowances Table

Title	Publication Date
NGET Redacted Information Document	3 February 2021

Appendix 2 Title and publication date of document containing the Physical Security PCD Table

Title	Publication Date
NGET Redacted Information Document	3 February 2021

Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDF_t)

Introduction

3.5.1 The purpose of this condition is to calculate the term RDF_t (the Net Zero And Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.

3.5.2 The effect of this condition is to:

- a) specify the allowance for the Net Zero And Re-opener Development Fund;
- b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
- c) provide for a Use It Or Lose It Adjustment.

3.5.3 This condition also explains the process the Authority will follow when issuing or amending the Net Zero And Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF_t)

3.5.4 The value of RDF_t is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

where:

RDFA_t means the sum of allowances in Appendix 1; and

RDFR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Net Zero And Re-opener Development Fund Governance Document

3.5.5 The licensee must comply with the Net Zero And Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.5.6 The Authority will issue and amend the Net Zero And Re-opener Development Fund Governance Document by direction.

3.5.7 The Authority will publish the Net Zero And Re-opener Development Fund Governance Document on the Authority's Website.

3.5.8 The Net Zero And Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:

- a) the definition of “allowable RDF expenditure” and “unrecoverable RDF expenditure”;
- b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
- c) the reporting obligations in respect of expenditure incurred in relation to Net Zero And Re-opener Development Fund which the licensee must meet.

3.5.9 Before directing that the Net Zero And Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority’s Website:

- a) the text of the proposed Net Zero And Re-opener Development Fund Governance Document;
- b) the date on which the Authority intends the Net Zero And Re-opener Development Fund Governance Document to come into effect; and
- c) a period during which representations may be made on the content of the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

3.5.10 Before directing an amendment to the Net Zero And Re-opener Development Fund Governance Document, the Authority will publish on the Authority’s Website:

- a) the text of the amended Net Zero And Re-opener Development Fund Governance Document;
- b) the date on which the Authority intends the amended Net Zero And Re-opener Development Fund Governance Document to come into effect;
- c) the reasons for the amendments to the Net Zero And Re-opener Development Fund Governance Document; and
- d) a period during which representations may be made on the amendments to the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

3.5.11 The Authority will direct an amendment to the value of $RDFR_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

3.5.12 Before making a direction under paragraph 3.5.11, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;

- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.5.13 The direction will set out the value of the RDFR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Net Zero And Re-opener Development Fund allowance (£m 18/19)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
RDFAt	3.20	3.20	3.20	3.20	3.20	£16.00

Special Condition 3.6 Net zero Re-opener (NZ_t)

Introduction

- 3.6.1 The purpose of this condition is to calculate the term NZ_t (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.6.2 The effect of this condition is to establish a Re-opener for the Authority to trigger amendments to the value of NZ_t and the outputs, delivery dates and allowances established by the special conditions of this licence.
- 3.6.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formula for calculating the net zero Re-opener term

- 3.6.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t + NZRO_t$$

where:

NZO_t means the sum of allowances directed by the Authority as a result of this Re-opener; and

NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the scope of this Re-opener?

- 3.6.5 The Authority will consider directing an adjustment to the value of the NZ_t term and the outputs, delivery dates and allowances established by the special conditions of this licence where in its opinion:
- a) a Net Zero Development has occurred or is expected to occur;
 - b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
 - c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
 - d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
 - e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.

Part C: Adjustments to Re-opener allowances

- 3.6.6 Where a direction under Part B adjusts allowances in relation to a special condition in the first column of the table in Appendix 1, then the direction making power in the second column of the table in Appendix 1 extends to adjusting the value of NZRO_t term.
- 3.6.7 Before making a direction under paragraph 3.6.6 the Authority will follow the same procedure as specified for the direction making power in the second column of the table in Appendix 1.

Part D: What process will the Authority follow in making a direction?

- 3.6.8 Before making a direction under paragraph 3.6.4 the Authority will publish on the Authority's Website:
- a) the text of the proposed direction;
 - b) the reasons for the proposed direction; and
 - c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.6.9 The direction will set out:
- a) any adjustments to the PCFM Variable Values of this licence and the Regulatory Years to which those adjustment relate; and
 - b) any amendments to the outputs and delivery dates established by the special conditions of this licence.

Appendix 1 Adjustments to Re-opener allowances

Special condition	Directing making power
3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment	Part F of that condition
3.3 Cyber resilience information technology Re-opener and Price Control Deliverable	Part F of that condition
3.4 Physical security Re-opener and Price Control Deliverable	Part E of that condition
3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance	Part G of that condition
3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable	Part F of that condition
3.15 Pre-Construction Funding Re-opener and Price Control Deliverable	Part D of that condition

Special Condition 3.7 Non-operational IT Capex Reopener (NOITt)

Introduction

- 3.7.1 The purpose of this condition is to calculate the term $NOIT_t$ (the Non-operational IT Capex Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.7.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority for Non-operational IT Capex.
- 3.7.3 This condition also sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What costs are within the scope of this Re-opener?

- 3.7.4 The licensee may apply to the Authority for a direction adjusting the value of the $NOIT_t$ term for any Regulatory Year during the Price Control Period as a result of:
- a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
 - b) the licensee identifying activities capable of improving its Non-operational IT Capex; or
 - c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

Part B: When to make an application

- 3.7.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.7.4:
- a) Between 1 April 2021 and 8 April 2021;
 - b) Between 25 January 2023 and 31 January 2023; and
 - c) during such other periods as the Authority may direct.

Part C: How to make an application

- 3.7.6 An application under paragraph 3.7.4 must be made in writing to the Authority and:
- a) give details of the circumstances referred to in paragraph 3.7.4 that the licensee considers exist;
 - b) explain how the adjustment requested would improve its Non-operational IT Capex;
 - c) explain the basis of the calculations for the adjustment requested to allowances; and
 - d) give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and

- e) provide such detailed supporting evidence as is reasonable in the circumstances, which must include:
- f) delivery plans;
- g) a prioritisation programme;
- h) market and industry cost comparison; and
- i) anticipated business benefits derived as a result of the proposed activities.

3.7.7 An application under paragraph 3.7.4 must:

- a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
- b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered re-opener

3.7.8 The Authority will also consider directing an adjustment to the value of the NOIT_t term without an application being made under paragraph 3.7.4 where it considers that:

- a) circumstances of the type referred to in paragraph 3.7.4 exist; and
- b) costs were incurred, or will be incurred, on or after 1 April 2021.

Part E: What process will the Authority follow in making a direction?

3.7.9 Before making a direction under paragraph 3.7.4 or 3.7.8, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.7.10 A direction under paragraph 3.7.4 or 3.7.8 will set out any amendments to the NOIT_t term and the Regulatory Years to which that adjustment relates.

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAMt)

Introduction

- 3.8.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.
- 3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: When to make an application

- 3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct.

Part C: How to make an application

- 3.8.6 An application under paragraph 3.8.4 must be made in writing to the Authority and:
- a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
 - b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
 - c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation does deliver greater overall consumer value;
 - d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;

- e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
- h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.7 An application under paragraph 3.8.4 must:

- a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: What process will the Authority follow in making a direction

3.8.8 Before making a direction under paragraph 3.8.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.8.9 The direction will set out:

- a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
- b) the Regulatory Years to which those adjustments relate; and
- c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Wider works Price Control Deliverable (WW_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the term WW_t (the wider works Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.9.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.9.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the wider works Price Control Deliverable term (WW_t)

- 3.9.4 The value of WW_t is derived in accordance with the following formula:

$$WW_t = WWA_t - WWR_t$$

where:

WWA_t means the sum of allowances in Appendix 1; and

WWR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.9.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
- 3.9.6 The codes at the start of each output in Appendix 1 are the NOA codes.

Part C: Assessment of Price Control Deliverable (WWR_t)

- 3.9.7 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for WWR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

- 3.9.8 Before making a direction under paragraph 3.9.7, the Authority will publish on the Authority's Website:
- a) the text of the proposed direction;
 - b) the reasons for the proposed direction; and
 - c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.9.9 The direction will set out the value of the WWR_t term and the Regulatory Years to which that value relates.

Appendix 1
Wider works Price Control Deliverable

Scheme Name	Output	Delivery Allowance (£m 18/19)	Date					
			21/22	22/23	23/24	24/25	25/26	All years
Burwell main 400kV substation (NOA code: BMM2)	EC5: 550MW LE1: 290MW Two new 225 MVAr capacitors to be installed at Burwell Main 400kV. Two new 225 MVAr 400kV MSCs to be installed at Burwell 400kV.	31 March 2023						Have the values given in the NGET Redacted Information Document.
Bolney and Ninfield 400kV substations (NOA code: BNRC)	SC1: 2120MW SC2: 400MW B15: 1726MW A new MSC and Static var compensator/static synchronous compensator pair to be installed at both Bolney and Ninfield 400kV	31 March 2023						Have the values given in the NGET Redacted Information Document.
Creyke Beck to Keady route (NOA code: CBEU)	B8: 580MW Advanced ratings of Creyke Beck circuits into Keadby.	31 March 2026						Have the values given in the NGET Redacted Information Document.

Elstree to Sundon circuit (NOA code: SER1)	B14: 390MW SC1: 1970MW Installation of a larger rated conductor on the Elstree – Sundon 1 circuit.	31 March 2024	Have the values given in the NGET Redacted Information Document.
Hinkley to Bridgewater route (NOA code: HBUP)	B13: 960MW SC1:770MW The overhead line is to be uprated and a diversion made to the new Shurton substation	31 March 2027	Have the values given in the NGET Redacted Information Document.
Thornton 400kV substation (NOA code: THS1)	B8: 586MW Install two 2000MVA series reactors at Thornton 400kV substation.	31 March 2024	Have the values given in the NGET Redacted Information Document.
North east region (NOA code: NEMS)	B7: 211MW B7a: 1035MW Installation of 3 x Mechanically Switched Capacitors within the North East region.	31 March 2023	Have the values given in the NGET Redacted Information Document.
Keady – West Burton 2 circuit (NOA code: KWHW)	B8: 346MW To increase the thermal capability of the Keady – West Burton 2 circuit by hotwiring.	31 March 2023	Have the values given in the NGET Redacted Information Document.

Bolney, Lovedean and Fleet 400kV substations (NOA code: SEEU)	SC2: 400MW To install secondary systems to allow existing reactive compensation equipment to be switched in protection timescales to improve reliability and stop voltage collapse following faults.	31 March 2023	Have the values given in the NGET Redacted Information Document.
Bramford to Braintree to Rayleigh main circuit 2 (NOA code: BRRE)	EC5: 228MW Replacement of remaining parts of the existing Bramford to Braintree to Rayleigh overhead line that have not already been reconducted with higher-rated conductors.	31 March 2023	Have the values given in the NGET Redacted Information Document.
Rayleigh to Tilbury circuit 2 (NOA code: RTRE)	LE1: 1220MW To reconnector remainder of A683 Rayleigh - Tilbury to GAP conductor.	31 March 2022	Have the values given in the NGET Redacted Information Document.
Turn-in of West Boldon to Hartlepool	B6: 771MW B7: 506MW B7a: 246MW	31 March 2022	Have the values given in the NGET Redacted Information Document.

at Hawthorn pit (NOA code: WHT1)	To increases the capability of the Anglo-Scottish (B6) and Northern English (B7 and B7a) boundaries by allowing more equal power sharing on circuits in the north-east 275kV ring. Including the turn-in of the existing 275kV West Bolden to Hartlepool circuit at Hawthorn Pit 275kV substation.			
Modify the existing circuit that runs from Pelham to Sundon, turning it in to connect at Wymondley Substation. (NOA Code: WYT1)	SC1: 369MW B14e: 415MW Creation of two circuits from Pelham to Wymondley and from Wymondley to Sundon, a new bus coupler and three new bays at Wymondley substation.	31 March 2024		Have the values given in the NGET Redacted Information Document.
Power control device along Blyth to Tynemouth to Blyth to South Shields (NOA Code: NEP1)	B7a: 319MW	31 March 2025		Have the values given in the NGET Redacted Information Document.

Reconductor 13.75km of Norton to Osbaldwick number 1 400kV circuit (NOA Code: NOR2)	B7a: 225MW	31 March 2023	Have the values given in the NGET Redacted Information Document.
Power control device along North Tilbury (NOA Code: NTP1)	LEI: 550MW	31 March 2024	Have the values given in the NGET Redacted Information Document.
Reconductor remainder of Coryton South to Tilbury circuit (NOA Code: CTRE)	LEI: 2500MW	31 March 2023	Have the values given in the NGET Redacted Information Document.
Reconductor of the double circuit that runs from Norwich to Bramford with a higher-rated conductor (NOA Code: NBRE)	EC5:2578MW	31 March 2026	Have the values given in the NGET Redacted Information Document.
Power control device along Blyth to Tynemouth and Blyth to South Shields	B6:125MW B7a: 311MW	31 March 2025	Have the values given in the NGET Redacted Information Document.

(NOA Code: NEPC)			
225MVar Mechanically Switched Capacitor (MSC) at Pelham (NOA Code: PEM1)	LEI: 100MW	31 March 2025	Have the values given in the NGET Redacted Information Document.
225MVar Mechanically Switched Capacitor (MSC) at Pelham (NOA Code: PEM2)	LEI: 200MW	31 March 2025	Have the values given in the NGET Redacted Information Document.
2 x 225MVar Mechanically Switched Capacitor (MSC) at Rye House (NOA Code: RHM1 & RHM 2)	LEI: 300MW	31 March 2025	Have the values given in the NGET Redacted Information Document.
Elstree to Sundon 2 circuit turn-in and reconductoring (NOA Code: SER2)	SC1: 657MW	31 March 2025	Have the values given in the NGET Redacted Information Document.
Drax to Thornton 2 circuit thermal uprating and equipment	B7a: 241MW B8: 2552MW	31 March 2025	Have the values given in the NGET Redacted Information Document.

upgrade
(hotwiring)
(NOA Code:
TDH2)

Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE_t and EPI_t)

Introduction

3.10.1 The purpose of this condition is to specify the terms VIMRE_t (the Visual Impact Mitigation Re-opener term) and EPI_t (the Enhancing Pre-existing Infrastructure Projects term). These terms contribute to the calculation of the Totex Allowance.

3.10.2 The effect of this condition is to:

- a) require the licensee to update its Mitigating Pre-existing Infrastructure Policy;
- b) specify the outputs, delivery dates and associated allowances for the Visual Impact Mitigation Price Control Deliverable;
- c) establish a Re-opener for the licensee to trigger amendments to the Visual Impact Mitigation Price Control Deliverable;
- d) provide for an assessment of the Visual Impact Mitigation Price Control Deliverable; and
- e) provide for the Authority to specify, during the first year of the Price Control Period, the outputs, delivery dates and associated allowances for Enhancing Pre-existing Infrastructure Projects.

Part A: Formula for calculating the Visual Impact Mitigation Visual Impact Mitigation Re-opener (VIMRE_t)

3.10.3 The value of the term VIMRE_t is derived in accordance with the following formula:

$$VIMRE_t = (VIMO_t - VIMRO_t)$$

where:

VIMO_t means the sum of allowances directed by the Authority in accordance with Parts D and F; and

VIMRO_t has the value zero unless otherwise directed by the Authority in accordance with Part G.

3.10.4 The total value of VIMRE_t for all Transmission Licensees during the Price Control Period will not exceed the amount specified in Appendix 2.

Part B: Visual Impact Mitigation Price Control Deliverable

3.10.5 Appendix 1 specifies the Visual Impact Mitigation Price Control Deliverable that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Mitigating Pre-existing Infrastructure Policy

3.10.6 The licensee must update its Mitigating Pre-existing Infrastructure Policy for the Price Control Period before making an application under Part D or providing information to the Authority to calculate the NTMP_t term in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance).

3.10.7 The Mitigating Pre-existing Infrastructure Policy must include:

- a) the licensee's objectives for delivering Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects, including how these have been informed by the licensee's statutory duties and stakeholders' views;
- b) details of how the licensee will work with other licensees, relevant national and statutory bodies, and other interested stakeholders to maximise the benefits to consumers of Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects during the Price Control Period;
- c) a proposed methodology to identify opportunities for ensuring best value for Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects on the National Electricity Transmission System;
- d) proposed criteria to evaluate and prioritise Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects including visual amenity benefits, value for money, and other environmental impacts;
- e) a description of the potential measures by which the licensee could deliver Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects;
- f) a description of the licensee's governance processes for funding, and monitoring the delivery of Non-Technical Mitigation Projects, as well as providing progress updates to stakeholders; and
- g) an explanation of how the licensee will review and revise the Mitigating Pre-existing Infrastructure Policy so that it is consistent with industry best practice.

3.10.8 The licensee must use its best endeavours to apply the Mitigating Pre-existing Infrastructure Policy.

3.10.9 Before revising the Mitigating Pre-existing Infrastructure Policy, the licensee must submit a copy of the proposed revisions to the Authority.

3.10.10 The Authority will either:

- a) approve the proposed revisions;
- b) reject the proposed revisions; or

- c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part D: Visual Impact Mitigation Re-opener

3.10.11 The licensee may apply to the Authority for a direction adding a new Visual Impact Mitigation Price Control Deliverable and associated allowance to Appendix 1.

3.10.12 The licensee may only apply to the Authority under paragraph 3.10.11 on or before 30 June 2025, or by such later deadline as the Authority may direct.

3.10.13 An application under paragraph 3.10.11 must be made in writing and:

- a) set out the amendments sought to Appendix 1;
- b) describe the proposed Visual Impact Mitigation Price Control Deliverable and the estimated benefits it will deliver in relation to the mitigation of impacts of pre-existing transmission infrastructure on the visual amenity of a Designated Area;
- c) include detailed supporting evidence that the proposed Visual Impact Mitigation Price Control Deliverable has been identified and prioritised in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy;
- d) include forecast costs for delivering the Visual Impact Mitigation Price Control Deliverable, with an expenditure profile for all Regulatory Years of delivery, and a breakdown of the total costs including incurred and forecast costs of preliminary development work to decide the feasibility of a Visual Impact Mitigation Price Control Deliverable;
- e) include analysis of any relevant issues in relation to the proposed Visual Impact Mitigation Price Control Deliverable that might reduce the feasibility of delivering the proposed Visual Impact Mitigation Price Control Deliverable or significantly increase the costs;
- f) include proposed timescales for delivery of the proposed Visual Impact Mitigation Price Control Deliverable; and
- g) include such further detailed supporting evidence as is reasonable in the circumstances.

Part E: Enhancing Pre-existing Infrastructure Projects (EPI_t)

3.10.14 The value of the term EPI_t is the sum of allowances in Appendix 3.

3.10.15 In the first Regulatory Year of the Price Control Period, the Authority will direct amendments to Appendix 3 to 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.

Part F: Cost And Output Adjusting Event

3.10.16 The licensee may apply to the Authority for a direction amending Appendix 1 or 3 where there has been a Cost And Output Adjusting Event if:

- a. the following criteria are met:
 - i. the licensee could not have economically and efficiently planned a contingency for the Cost And Output Adjusting Event;
 - ii. the Cost And Output Adjusting Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance for the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, or by at least such other percentage as the Authority directs; and
 - iii. the increase or decrease in expenditure is expected to be efficiently incurred or saved; or
- b. an event specified by the Authority in the direction that added the Visual Impact Mitigation Price Control Deliverable to Appendix 1 or added the Enhancing Pre-existing Infrastructure Project to Appendix 3 has occurred.

3.10.17 The percentage in paragraph 3.10.16(a)(ii) is calculated before the application of the Totex Incentive Strength.

3.10.18 Unless the Authority otherwise directs, the licensee must make the application under paragraph 3.10.16:

- a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
- b) in any event before the end of the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred.

3.10.19 An application under paragraph 3.10.16 must be made in writing and must:

- a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.10.16 has occurred;
- b) set out any amendments requested to Appendix 1 or Appendix 3;
- c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1 or Appendix 3, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and

- d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, the proposed adjustments fairly reflect the effects of the Cost And Output Adjusting Event.

Part G: Assessment of Visual Impact Mitigation Price Control Deliverable (VIMRO_t)

3.10.20 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for the term VIMRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part H: Authority's process for making a direction

3.10.21 Before making a direction under paragraph 3.10.11, 3.10.15, 3.10.16 and 3.10.20 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.10.22 A direction under paragraph 3.10.11 will set out:

- a) any amendments to Appendix 1; and
- b) any individual criteria for a Cost And Output Adjusting Event specific to that Visual Impact Mitigation Price Control Deliverable.

3.10.23 A direction under paragraph 3.10.15 will set out:

- a) any amendments to Appendix 3; and
- b) any individual criteria for a Cost And Output Adjusting Event specific to that Enhancing Pre-existing Infrastructure Project.

3.10.24 A direction under paragraph 3.10.16 will set out any amendments to Appendix 1 or 3.

3.10.25 A direction under paragraph 3.10.20 will set out the value of the VIMRO_t term and the Regulatory Years to which the adjustment relates.

Appendix 1 Visual Impact Mitigation Price Control Deliverable (£m 18/19)

Project name and Designated Area	Allowance					All years
	21/22	22/23	23/24	24/25	25/26	
	N/A	N/A	N/A	N/A	N/A	N/A

Project name	Output	Delivery date
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Appendix 2

Maximum value (expressed in £m, 2018/19 prices) of the sum of VIMRE term for all Transmission Licensees during the Price Control Period

£465

Appendix 3

Enhancing Pre-existing Infrastructure Project allowance

Project name and Designated Area	Allowance (£m 18/19)					All years
	21/22	22/23	23/24	24/25	25/26	
Dorset AONB Mitigation Project	12.545	0.587				13.132
LEI projects:	0.031	0.016	0.025	0.0	0.0	0.072
Cannock Chase AONB, Gentleshaw Common into the Future						
Blackdown Hills AONB, Enhancing the Hills						
High Weald AONB, Beautiful Boundaries II and Wonderful Woodlands						
New Forest NP, Landford Bog Nature Reserve						
North York Moors AONB, Kipwich Landscape Restoration Project						
Tamar Valley AONB, South Hooe Restoring						

and Enhancing Watery
Landscapes

Project name	Description of project	Delivery date
Dorset AONB Mitigation Project	<p>Replace a 8.25 km section of a 400kV double circuit overhead line, known as the 4YA, with 8.8 km underground cable in the Dorset AONB area. The overhead line runs from northwest of Winterborne Abbas to south of Friar Waddon Hill inside the boundary of the Dorset AONB.</p> <p>Install two new sealing end compounds to connect the new section of underground cable to the existing overhead line.</p> <p>Install 2 x 200 MVAR reactive compensation equipment at the existing Chickerell substation to manage voltage issues and increasing capacitance from the underground cables.</p> <p>Underground diversion of the western 33kV distribution circuit near the southern sealing end compounds for safety reasons and associated fibre optics cable.</p>	2022
Gentleshaw Common into the Future	<p>60 ha bracken and scrub control</p> <p>7 ha purple moor grass cutting</p> <p>80 m footpath upgrading</p> <p>38 m broadwalk installation</p>	2021
Enhancing the Hills	<p>865 m hedgerow creation and management</p> <p>1.2 ha traditional orchard restoration</p> <p>5 ha meadow creation and improvement</p>	2021
Beautiful Boundaries II	<p>3,776 m coppice gap up and fencing</p> <p>1,435 m ancient woodland fencing</p> <p>2,774 m new hedge and fencing</p> <p>884 m hedge laying and fencing</p> <p>0.4 ha woodland planting</p> <p>0.16 ha wetland habitat restoration</p>	2021
Wonderful Woodlands	<p>2,056 m2 all-weather access improvement</p> <p>5.5 ha woodland habitat restoration</p> <p>5.6 ha ground flora restoration</p>	2023

	3 pond habitat restoration	
Landford Bog	35 m2 all-weather access improvement	2021
Nature Reserve	1,370 m boundary improvement	
	2 leaky log dam installations	
	0.7 ha rotational pollarding	
Kipwich Landscape	9.8 ha native woodland creation	2024
Restoration Project	7.4 ha wood pasture creation	
	12 ha open habitat creation with trees	
	37 ha SSI grassland and heathland restoration	
	5.6 ha ancient woodland restoration	
	19.6 ha woodland restoration	
	6.7 ha native woodland restoration	
South Hooe	385 m reinstatement of historic field boundaries	2024
Restoring and	345 m new hedgerow planting	
Enhancing Watery	4,200 woodland tree planting	
Landscapes	840 m hedgerow management	
	5 gates for improved access to circular walk	
	450 m2 scrub clearance	
	2,014 m new boundary fencing and access	

Special Condition 3.11 Generation Connections volume driver (GCET)

Introduction

3.11.1 The purpose of this condition is to provide for the calculation of the term GCE_t (the Generation Connections volume driver term). This contributes to the calculation of the Totex Allowance.

3.11.2 The effect of this condition is to adjust revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.

3.11.3 This condition also adjusts revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2026.

The value of GCE_t is derived in accordance with the following formula:

$$GCE_t = \sum_{p=2021/22}^{2027/28} VGCE_p \cdot PGCE_{t,p} + (TPG_t - TPRG_t)$$

where:

t means the Regulatory Year for which the allowed expenditure is calculated;

p means the Regulatory Year in which the Generation Connection is delivered;

$VGCE_p$ is the generation connection volume driver allowance as derived in accordance with paragraph 3.11.5;

TPG_t means the total expenditure efficiently incurred in the Regulatory Year by the licensee in respect of Generation Connections where the Users reduce Generation Connection Capacity or terminate the relevant bilateral agreements prior to commencing use of the Generation Connection;

$TPRG_t$ means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPG_t in the Regulatory Year; and

$PGCE_{t,p}$ means the profiling factor of allowance in Regulatory Year t for Generation Connections delivered in Regulatory Year p, as set out in Appendix 1.

3.11.4 The value of $VGCE_p$ is derived in accordance with the following formula:

$$\begin{aligned} VGCE_p = & GUC \cdot (AGC_p - BGC_p) + OHLRGUC \cdot (ALOHLR_p - BLOHLR_p) + CBLSGUC \\ & \cdot (ALCBLSp - BLCBLSp) + CBLLGUC \cdot (ALCBLL_p - BLCBLL_p) + GCONfix \\ & \cdot (AGCON_p - BGCON_p) \end{aligned}$$

where:

- GUC means the Generation Connection Capacity unit cost allowance as set out in the NGET Redacted Information Document;
- AGCp means the actual Generation Connection Capacity in MW or MVA delivered in Regulatory Year p;
- BGCp means the baseline Generation Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2;
- OHLRGUC means the unit cost allowance for overhead line reconductoring activity as set out in the NGET Redacted Information Document;
- ALOHLRp means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the AGCp in Regulatory Year p;
- BLOHLRp means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 2;
- CBLSGUC means the unit cost allowance for underground cable less than 1km, as set out in the NGET Redacted Information Document;
- ALCBLSp means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the AGCp in Regulatory Year p;
- BLCBLSp means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 2;
- CBLLGUC means the unit cost allowance for underground cable equal to or greater than 1km as set out in the NGET Redacted Information Document;
- ALCBLLp means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the AGCp in Regulatory Year p;
- BLCBLLp means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 2;
- GCONfix means the fixed revenue for each new Generation Connection project delivered, as set out in the NGET Redacted Information Document;
- AGCONp means the actual number of Generation Connection projects delivered in Regulatory Year p; and
- BGCONp means the baseline number of Generation Connection projects delivered in Regulatory Year p, as set out in Appendix 2.

Appendix 1 Profiling factors (PGCE_{t,p})

p=year of delivery t= year of allowance	t=2021/22	t=2022/23	t=2023/24	t=2024/25	t=2025/26	t=2026/27	t=2027/28
p=2021/22	1	0	0	0	0	0	0
p=2022/23	0.84	0.16	0	0	0	0	0
p=2023/24	0.525	0.315	0.16	0	0	0	0
p=2024/25	0.21	0.315	0.315	0.16	0	0	0
p=2025/26	0	0.21	0.315	0.315	0.16	0	0
p=2026/27	0	0	0.21	0.315	0.315	0.16	0
P=2027/28	0	0	0	0.21	0.315	0.315	0.16

Appendix 2 Baseline Generation Connection Capacity, length of overhead lines, length of underground cables, and delivered Generation Connection projects

Baseline values	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
BGC _p (MW or MVA)	50	50	3,097	2,499	3,200	0	0
BLOHLR _p (km)	0	0	0	4.6	0	0	0
BLCBLSp (km)	0	0	0	0	0.2	0	0
BLCBLLp (km)	0	0	0	0	0	0	0
BGCON _p (#)	1	1	6	7	5	0	0

Special Condition 3.12 Demand Connections volume driver (DRI_t)

Introduction

- 3.12.1 The purpose of this condition is to provide for the calculation of the term DRI_t (the Demand Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.12.2 The effect of this condition is to adjust revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.12.3 This condition also adjusts revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2026.

Part A: Formula for calculating the Demand Connections volume driver term (DRI_t)

- 3.12.4 The value of DRI_t is derived in accordance with the following formula:

$$DRI_t = \sum_{p=2021/22}^{2027/28} VDRI_p \cdot PDCE_{t,p} + (TPD_t - TPRD_t)$$

where:

- t means the Regulatory Year for which the allowed expenditure is calculated;
- p means the Regulatory Year in which the Demand Connection is delivered;
- VDRI_p is the demand connection volume driver allowance as derived in accordance with paragraph 3.12.5;
- TPD_t means the total expenditure efficiently incurred in the Regulatory Year by the licensee in respect of Demand Connections where the Users terminate the relevant bilateral agreements prior to commencing use of the Demand Connection;
- TPRD_t means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPD_t in the Regulatory Year; and
- PDCE_{t,p} means the profiling factor of allowance in Regulatory Year t for Demand Connections delivered in Regulatory Year p, as set out in Appendix 1.

- 3.12.5 The value of VDRI_p is derived in accordance with the following formula:

$$VDRI_p = DUC \cdot (ADC_p - BDC_p) + OHLRDUC \cdot (ALOHLRD_p - BLOHLRD_p) + CBLSDUC \cdot (ALCBLSD_p - BLCBLSD_p) + CBLLDUC \cdot (ALCBLLD_p - BLCBLLD_p) + DCONfix \cdot (ADCON_p - BDCON_p)$$

where:

DUC	means the Demand Connection Capacity unit cost allowance as set out in the NGET Redacted Information Document;
ADCp	means the actual Demand Connection Capacity in MW or MVA delivered in Regulatory Year p;
BDCp	means the baseline Demand Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2;
OHLRDUC	means the unit cost allowance for overhead line reconductoring activity as set out in the NGET Redacted Information Document;
ALOHLRDp	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the ADCp in Regulatory Year p;
BLOHLRDp	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BDCp in Regulatory Year p, as set out in Appendix 2;
CBLSDUC	means the unit cost allowance for underground cable less than 1km, as set out in the NGET Redacted Information Document;
ALCBLSDp	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the ADCp in Regulatory Year p;
BLCBLSDp	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BDCp in Regulatory Year p, as set out in Appendix 2;
CBLLDUC	means the unit cost allowance for underground cable equal to or greater than 1km as set out in the NGET Redacted Information Document;
ALCBLLDp	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the ADCp in Regulatory Year p;
BLCBLLDp	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BDCp in Regulatory Year p, as set out in Appendix 2;
DCONfix	means the fixed revenue for each new Demand Connection project delivered, as set out in the NGET Redacted Information Document;
ADCONp	means the actual number of Demand Connection projects delivered in Regulatory Year p; and

BDCON_p means the baseline number of Demand Connection projects delivered in Regulatory Year p, as set out in Appendix 2.

Appendix 1 Profiling factors (PDCE_{t,p})

p=year of delivery t= year of allowance	t=2021/22	t=2022/23	t=2023/24	t=2024/25	t=2025/26	t=2026/27	t=2027/28
p=2021/22	1	0	0	0	0	0	0
p=2022/23	0.84	0.16	0	0	0	0	0
p=2023/24	0.525	0.315	0.16	0	0	0	0
p=2024/25	0.21	0.315	0.315	0.16	0	0	0
p=2025/26	0	0.21	0.315	0.315	0.16	0	0
p=2026/27	0	0	0.21	0.315	0.315	0.16	0
p=2027/28	0	0	0	0.21	0.315	0.315	0.16

Appendix 2 Baseline Demand Connection Capacity, length of overhead lines, underground cables and delivered Demand Connection projects

Baseline values	Regulatory Year						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
BDC _p (MW or MVA)	0	0	720	480	0	0	0
BLOHLRD _p (km)	0	0	0	0	0	0	0
BLCBLSD _p (km)	0	0.24	0.6	0	0	0	0
BLCBLLD _p (km)	1.0	0	0	0	0	0	0
BDCON _p (#)	0	0	2	1	0	0	0

Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA_t and LOTIRE_t)

Introduction

3.13.1 The purpose of this condition is to specify the value of the terms LOTIA_t (the large onshore transmission investment allowance term) and LOTIRE_t (the large onshore transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.

3.13.2 The effect of this condition is to:

- a) specify any LOTI Outputs, delivery dates and allowances;
- b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the licensee's Transmission System; and
- c) establish the LOTI Guidance and Submissions Requirements Document.

3.13.3 This condition also sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formulae for calculating the large onshore transmission investment allowance term (LOTIA_t) and the large onshore transmission investment Re-opener term (LOTIRE_t)

3.13.4 The value of LOTIA_t is the sum of baseline allowances in Appendix 1.

3.13.5 The value of LOTIRE_t is the sum of allowances directed by the Authority in accordance with Parts B and G.

Part B: Costs within scope of this Re-opener and pre-application requirements

3.13.6 The licensee may, in respect of any LOTI, apply to the Authority for a Project Assessment Direction specifying a LOTI Output, a delivery date and associated allowances in Appendix 2.

3.13.7 Before applying for a Project Assessment Direction, the licensee must:

- a) obtain approval of eligibility to apply as provided for in Part D, unless relieved of this requirement by the Authority by direction;
- b) submit an Initial Needs Case to the Authority for consideration as provided for in Part E, unless relieved of this requirement by the Authority by direction; and
- c) obtain the Authority's approval of a Final Needs Case as provided for in Part F.

Part C: LOTI Outputs

3.13.8 The licensee must deliver the LOTI Outputs specified in Appendix 2 by the delivery dates specified in Appendix 2.

Part D: Approval of eligibility to apply for a LOTI Output

3.13.9 Not less than three months prior to the licensee's intended date for submitting an Initial Needs Case, approval of eligibility to apply must be sought by way of written submission to the Authority, unless the Authority relieves the licensee of this requirement by direction, including statements setting out:

- a) why the investment is a LOTI;
- b) a brief description of the LOTI; and
- c) if the licensee considers that the timings for the assessment of the LOTI should be different to the timings set out in Parts E or F, proposed alternative timings.

Part E: Initial Needs Case

3.13.10 If the Authority approves the eligibility of the project, or the Authority has relieved the licensee of the requirement to obtain approval of eligibility to apply, the licensee may submit an Initial Needs Case to the Authority for consideration.

3.13.11 An Initial Needs Case must be submitted:

- a) not less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation; or
- b) by such other date as the Authority may direct.

Part F: Final Needs Case

3.13.12 If the licensee has submitted an Initial Needs Case to the Authority in respect of which the Authority has published a response, or the Authority has relieved the licensee of the requirement to submit an Initial Needs Case by direction, the licensee may seek the Authority's approval of the Final Needs Case.

3.13.13 Unless the Authority otherwise directs, approval may only be sought after the licensee has secured all material planning consents.

Part G: Cost And Output Adjusting Event

3.13.14 The licensee may apply to the Authority for a direction adjusting the LOTI Output, the delivery date or associated allowances in Appendix 2 where:

- a) there has been one or more Cost And Output Adjusting Events; and
- b) if the following requirements are met:
 - i. the licensee could not have reasonably foreseen the event or events;

- ii. the licensee could not have economically and efficiently planned a contingency for the event or events;
- iii. expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.13.15, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 2 by the event, or, if there has been more than one event;
- iv. by each event;
 - by any one or more events that the Authority has directed may count cumulatively towards the percentage threshold; or
 - for the purposes of the LOTI Output beginning with the words 'Hinkley – Seabank', by any one or more events; and
 - the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.13.15 The percentage referred to in paragraph 3.13.13 is:

3.13.15.1 20%;

3.13.15.2 such other percentage as the Authority may specify by direction; or

3.13.15.3 for the purposes of the LOTI Output beginning with the words 'Hinkley – Seabank', 10%.

3.13.16 Unless the Authority otherwise directs, the licensee must make any application not later than before the end of the period of three months beginning with the delivery date for the LOTI Outputs.

3.13.17 An application under paragraph 3.13.14 must be made in writing and must:

- a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.13.14 has occurred;
- b) set out any amendments requested to the LOTI Output, the delivery date or associated allowances in Appendix 2;
- c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 2, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
- d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the LOTI Output, the proposed adjustments to the LOTI Output, the delivery

date or associated allowances fairly reflect the effects of the Cost And Output Adjusting Event.

Part H: What process will the Authority follow in making a direction?

3.13.18 Before initiating a Project Assessment Direction, the Authority will assess whether the contents of the proposed Project Assessment Direction are significantly different to the application submitted by the licensee under Part B.

3.13.19 In deciding whether the contents are significantly different, the Authority will have regard to the proposed LOTI Output, the delivery date and associated allowances.

3.13.20 If, having carried out the assessment in paragraph 3.13.18, the Authority considers that the proposed Project Assessment Direction is not significantly different to the application submitted by the licensee under Part B, it will proceed with making a Project Assessment Direction in accordance with paragraph 3.13.21. Otherwise, any amendments to the special conditions of this licence will be made under section 11A of the Act.

3.13.21 Before making a Project Assessment Direction or a direction under paragraph 3.13.14, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.13.22 A Project Assessment Direction will set out:

- a) any amendments to Appendix 2; and
- b) any project-specific Cost And Output Adjusting Events.

3.13.23 A direction under paragraph 3.13.14 will set out any amendments to Appendix 2.

Part I: LOTI Guidance and Submissions Requirements Document

3.13.24 The licensee must comply with the LOTI Guidance and Submissions Requirements Document when making an application under Part B or Part G, seeking approval under Part D or Part F or making a submission under Part E.

3.13.25 The Authority will issue and amend the LOTI Guidance and Submissions Requirements Document by direction.

3.13.26 The Authority will publish the LOTI Guidance and Submissions Requirements Document on the Authority's Website.

3.13.27 The LOTI Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts B, D, E, F and G.

3.13.28 Before directing that the LOTI Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- a) the text of the proposed LOTI Guidance and Submissions Requirements Document;
- b) the date on which the Authority intends the LOTI Guidance and Submissions Requirements Document to come into effect; and
- c) a period during which representations may be made on the text of the proposed LOTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

3.13.29 Before directing an amendment to the LOTI Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- a) the text of the amended LOTI Guidance and Submissions Requirements Document;
- b) the date on which the Authority intends the amended LOTI Guidance and Submissions Requirements Document to come into effect;
- c) the reasons for the amendments to the LOTI Guidance and Submissions Requirements Document; and
- d) a period during which representations may be made on the amendments to the LOTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1 LOTI baseline allowances (LOTA_t) (£m 18/19)

Regulatory Year	Total Allowance (All years)
21/22 22/23 23/24 24/25 25/26	
Have the values given in the NGET Redacted Information Document.	

Appendix 2 LOTI Outputs and allowances (£m 18/19)

		Regulatory Year				
LOTI Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26

Hinkley – Seabank, as specified in Table 5 of Special Condition 6I (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure) of this licence as in force on 31 March 2021.	31 December 2024	Have the values given in the NGET Redacted Information Document.
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Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE_t)

Introduction

3.14.1 The purpose of this condition is to calculate the term MSIPRE_t (the Medium Sized Investment Projects Re-opener term). This contributes to the calculation of the Totex Allowance.

3.14.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.14.3 This condition also explains the process the Authority will follow when directing any changes under paragraphs 3.14.6 and 3.14.12.

Part A: Formula for calculating the Medium Sized Investment Projects Re-opener term (MSIPRE_t)

3.14.4 The value of MSIPRE_t is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

MSIPO_t means the sum of allowances directed by the Authority as a result of this Re-opener; and

MSIPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: What is the licensee funded to deliver?

3.14.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Medium Sized Investment Projects Re-opener

3.14.6 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 in relation to one or more of the following activities:

- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the level that

- could be provided for under Special Condition 3.11 (Generation Connections volume driver);
- (b) a Demand Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the level that could be provided for under Special Condition 3.12 (Demand Connection volume driver);
 - (c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA, and will:
 - a. create a new boundary, or alter an existing boundary; or
 - b. finish after 1 April 2028 but before 31 March 2031;
 - (d) a Flooding Defence Project, the purpose of which is to follow:
 - a. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
 - b. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
 - (e) a Black Start Project following the publication by government of a new Black Start Standard, published on or after 1 February 2021;
 - (f) a system operability or constraint management project that has been requested by the System Operator;
 - (g) projects that are required in order to meet NETS SQSS requirements regarding security and system operability;
 - (h) Harmonic Filtering projects that are needed following:
 - a. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
 - b. system studies by the System Operator or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
 - (i) protection projects that are required following:
 - a. system studies by the System Operator or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range;
 - b. system studies by the System Operator or the licensee showing a need for dynamic line ratings; or
 - c. system studies by the System Operator or the licensee showing a need for an operational intertrip;

- (j) data transformation and improvement projects, to meet requests from stakeholders and recommendations from industry data working groups;
- (k) SF6 asset interventions, where the licensee can demonstrate a well-justified intervention plan; and
- (l) Black Start Projects or a Flooding Defence Project, where the licensee can demonstrate a well-justified needs case.

Part D: When to make an application

3.14.7 The licensee may only apply to the Authority for an adjustment under paragraph 3.14.6 Between:

- a) 24 April 2021 and 30 April 2021;
- b) 25 January 2022 and 31 January 2022
- c) 25 January 2023 and 31 January 2023;
- d) 25 January 2024 and 31 January 2024; and
- e) 25 January 2025 and 31 January 2025.

3.14.8 In relation to an application under paragraph 3.14.6(k) the licensee may only apply once during the Price Control Period.

3.14.9 In relation to an application under paragraph 3.14.6(l) the licensee may only apply once during the Price Control Period.

Part E: How to make an application

3.14.10 An application under paragraph 3.14.6 must be made in writing to the Authority and include:

- a) a statement setting out what Medium Sized Investment Project the application relates to;
- b) any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
- c) a detailed justification of the technical need and, where relevant, the consumer benefit that the Medium Sized Investment Project that the application relates to is expected to deliver; and
- d) an explanation of the basis of the calculation any amendments requested to allowances.

3.14.11 An application under paragraph 3.14.6 must:

- a) take account of any expenditure, which can be avoided as a result of the change;

- b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold, but are less than £100m; and
- c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Assessment of the Price Control Deliverable (MSIPRO_t)

3.14.12 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for MSIPRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part G: What process will the Authority follow in making a direction?

3.14.13 Before making a direction under paragraph 3.14.6 or 3.14.12, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.14 A direction under paragraph 3.14.6 will set out any amendments to Appendix 1.

3.14.15 A direction under paragraph 3.14.12 will set out the value of the MSIPRO_t term and the Regulatory Years to which that adjustment relates.

Appendix 1 Medium Sized Investment Project Price Control Deliverable (£m 18/19)

			Regulatory Year					
MSIP project	Output Delivery date		2021/22	2022/23	2023/24	2024/25	2025/26	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Special Condition 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)

Introduction

3.15.1 The purpose of this condition is to calculate the terms PCF_t (the Pre-Construction Funding Price Control Deliverable term) and PCFRE_t (the Pre-Construction Funding Re-opener term). These contribute to the calculation of the Totex Allowance.

3.15.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
- b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to a LOTI.

3.15.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.15.6 and 3.15.9.

Part A: Formula for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t) and the Pre-Construction Funding Re-opener term (PCFRE_t)

3.15.4 The value of PCF_t is derived in accordance with the following formula:

$$PCF_t = PCFA_t - PCFRA_t$$

where:

PCFA_t means the sum of baseline allowances in Appendix 1; and

PCFRA_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

3.15.5 The value of PCFRE_t is derived in accordance with the following formula:

$$PCFRE_t = PCFO_t - PCFRO_t$$

where:

PSCFO_t means the sum of allowances directed by the Authority as a result of the Re-openers established by Part C; and

PCFRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What the licensee is funded to deliver

3.15.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Pre-Construction Funding Re-opener

3.15.7 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where:

- a) the licensee expects to incur costs for Pre-Construction Works that are not already specified as outputs in Appendix 2; or
- b) the licensee expects that the costs of Pre-Construction Works specified as outputs in Appendix 2 will be more than double the allowance provided for those Pre-Construction Works.

3.15.8 The licensee may only apply to the Authority under paragraph 3.15.7 when submitting an Initial Needs Case for the relevant LOTI, unless the Authority directs that the licensee may apply at another time.

3.15.9 An application under paragraph 3.15.7 must be made in writing and include:

- a) a breakdown of what Pre-Construction Works are expected to be undertaken;
- b) an overview of the LOTI to which the Pre-Construction Works relate;
- c) a justification of why the Pre-Construction Works are required; and
- d) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 1 or Appendix 2.

Part D: Assessment of outputs Price Control Deliverable (PCFRA_t and PCFRO_t)

3.15.10 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document and the principles in paragraph 3.15.11, consider directing a value for PCFRA_t and PCFRO_t where the licensee has not Fully Delivered an output in Appendix 2.

3.15.11 The principles mentioned in paragraph 3.15.10 are:

- a) where authority considers that the licensee has completed a sufficient proportion of Pre-Construction Work, but not submitted its primary planning application for the LOTI, a minimum of 20% of the allowance for the relevant Pre-Construction Works will be allowed;
- b) where the licensee has submitted its primary planning application for the LOTI, but has not secured Final Needs Case approval, a minimum of 60% of the allowance for the relevant Pre-Construction Works will be allowed; and

- c) where the licensee has secured Final Needs Case approval for the LOTI, 100% of the Pre-Construction Works PCD allowance for that LOTI will be allowed.

Part E: What process will the Authority follow in making a direction?

3.15.12 Before making a direction under paragraphs 3.15.7 or 3.15.10 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.15.13 A direction under paragraph 3.15.7 will set out any amendments to Appendix 2.

3.15.14 A direction under paragraph 3.15.10 will set out the value of the PCFRA_t and PCFRO_t terms and the Regulatory Years to which those adjustments relate.

Appendix 1 Pre-Construction Funding baseline allowance (PCFRA_t) (£m 18/19)

	Allowance					Total Allowance (All years)
	21/22	22/23	23/24	24/25	25/26	
	121.48	123.94	104.21	84.38	14.55	448.57

Appendix 2 Pre-Construction Funding Price Control Deliverable (£m 18/19)

Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
LOTI Final Needs Case approval of E2DC: Torness - Hawthorn Pit; Eastern subsea HVDC link	31 March 2026	7.46	7.61	6.40	5.18	0.89	27.53
LOTI Final Needs Case approval of	31 March 2026	10.67	10.89	9.15	7.41	1.28	39.40

E4D3:

Peterhead -
Drax; Eastern
subsea HVDC
link

LOTIFinal	31	8.88	9.05	7.61	6.16	1.06	32.76
Needs Case approval of	March 2026						

E4L5:

Peterhead -
South Humber;
Eastern
subsea HVDC
link

LOTIFinal	31	17.86	18.23	15.32	12.41	2.14	65.96
Needs Case approval of	March 2026						

CGNC: Creyke
Beck - South
Humber; new
400 kV double
circuit

LOTIFinal	31	21.70	22.15	18.62	15.07	2.60	80.14
Needs Case approval of	March 2026						

GWNC: South
Humber -
South
Lincolnshire;
new 400 kV
double circuit

LOTIFinal	31	2.42	2.47	2.07	1.69	0.29	8.94
Needs Case approval of	March 2026						

TKRE: Tilbury -
Grain and

Tilbury - Kingsnorth upgrade	LOTIFinal	31	21.66	22.09	18.58	15.04	2.60	79.97
Needs Case approval of TLNO: Torness - north east England; AC onshore reinforcement	March 2026							
LOTIFinal	31	6.38	6.51	5.48	4.43	0.77	23.56	
Needs Case approval of OPN2: Osbaldwick - Popperton; new 400 kV double circuit and relevant 275 kV upgrades	March 2026							
LOTIFinal	31	9.21	9.40	7.90	6.40	1.10	34.01	
Needs Case approval of SCD1: South London - south coast; new 400 kV transmission route	March 2026							
LOTIFinal	31	14.72	15.01	12.63	10.23	1.76	54.35	
Needs Case approval of Norwich Main - Bramford	March 2026							

LOTIFinal	31	0.53	0.54	0.45	0.37	0.06	1.95
Needs Case	March						
approval of	2026						
Harker							
upgrade							
works,							
including the							
double							
interbus SGT							
replacement.							

Special Condition 3.16: Access Reform Change Re-opener (ARR_t)

Introduction

3.16.1 The purpose of this condition is to calculate adjustments to the term ARR_t (the Access Reform Change Re-opener term). This contributes to the calculation of the Totex Allowance.

3.16.2 The effect of this condition is to establish a Re-opener triggered by the Authority to make appropriate adjustments to reflect the impact of an Access Reform Change on:

- a) the value of ARR_t (the Access Reform Re-opener term);
- b) the values of the terms in Special Condition 3.11 (Generation Connections volume driver); and
- c) the values of to the terms in Special Condition 3.12 (Demand Connections volume driver).

3.16.3 This condition also explains the process the Authority will follow when directing any amendments as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.16.4 The Authority will consider directing adjustments to the values of the ARR_t term, the terms in Special Conditions 3.11 and 3.12, where:

- a) an Access Reform Change has occurred;
- b) the Authority has evidence that it is likely the Access Reform Change will lead to a reduction in the cost of Licensed Activity; and
- c) the effect, or estimated effect, of the Access Reform Change on the cost of Licensed Activity exceeds the Materiality Threshold.

3.16.5 The Authority will not make adjustments under paragraph 3.16.4 to the value of the ARR_t term, or the terms in Special Conditions 3.11 and 3.12 in relation to connection projects that are the subject of an agreement with the System Operator entered into prior to the date of the Authority's direction.

3.16.6 Where the application of paragraph 3.16.5 makes it necessary, the Authority will direct amendments to the formulae in Special Conditions 3.11 and 3.12 to provide for more than one unit cost in a single Regulatory Year.

Part B: What process will the Authority follow in making a direction?

3.16.7 Before making a direction under paragraph 3.16.4 or 3.16.6 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;

- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.16.8 The direction under paragraph 3.16.4 will set out:

- a) any adjustments to the values of the ARR_i term and the Regulatory Years to which that adjustment relates; and
- b) any amendments to values of the terms in Special Conditions 3.11 and 3.12 and where relevant the Regulatory Years to which those amendments relate.

3.16.9 A direction under paragraph 3.16.6 will set out the amendments to the formulae in Special Conditions 3.11 and 3.12.

Special Condition 3.17: Not Used

Special Condition 3.18: Not Used

Special Condition 3.19: Not Used

Special Condition 3.20: Generation related infrastructure Price Control Deliverable (GRI_t)

Introduction

3.20.1 The purpose of this condition is to calculate the term GRI_t (the generation related infrastructure Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.20.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.20.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the generation related infrastructure Price Control Deliverable term (GRI_t)

3.20.4 The value of GRI_t is derived in accordance with the following formula:

$$GRI_t = GRIA_t - GRIR_t$$

where:

GRIA_t means the sum of allowances set out in Appendix 1 for the year t; and

GRIR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.20.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (GRIR_t)

3.20.6 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for GRIR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.20.7 Before making a direction under paragraph 3.20.6, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and

- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.20.8 The direction will set out the value of the GRIR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1 Generation related infrastructure Price Control Deliverable Allowance (£m 18/19)

Scheme Name	Output	Delivery Date	21/22	22/23	23/24	24/25	25/26	All years
Scheme B	Connection of a power station. The project will connect >3000MW of generation in two stages as set out in the NGET Redacted Information Document.	31 March 2027 / 31 March 2028	Have the values given in the NGET Redacted Information Document.					

Special Condition 3.21 Operational transport carbon reduction Price Control Deliverable (OTC_t)

Introduction

3.21.1 The purpose of this condition is to calculate the term OTC_t (the operational transport carbon reduction Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.21.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.21.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the operational transport carbon reduction Price Control Deliverable term (OTC_t)

3.21.4 The value of OTC_t is derived in accordance with the following formula:

$$OTC_t = OTCA_t - OTCR_t$$

where:

OTCA_t means the sum of allowances in Appendix 1; and

OTCR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

3.21.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of the Price Control Deliverable (OTCR_t)

3.21.6 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for OTCR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.21.7 Before making a direction under paragraph 3.21.6, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and

- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Appendix 1 Operational transport carbon reduction Price Control Deliverable Allowance (£m 18/19)

Output	Delivery Date	Allowance					Total Allowance (All years)
		21/22	22/23	23/24	24/25	25/26	
Purchase of [Have the values given in the NGET Redacted Information Document.] small panel van electric vehicles.	31 March 2026	Have the values given in the NGET Redacted Information Document.					
Install [Have the values given in the NGET Redacted Information Document] standard and [Have the values given in the NGET Redacted Information Document] direct current charge-points across 234 sites.	31 March 2026	Have the values given in the NGET Redacted Information Document.					

Special Condition 3.22 Instrument Transformer Price Control Deliverable Term (InTt)

Introduction

3.22.1 The purpose of this condition is to calculate the term InTt (the Instrument Transformer Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.22.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Instrument Transformer Individual replacement or decommissioning, and Instrument Transformer Family replacement or decommissioning.

Part A: Formula for calculating the Instrument Transformer Price Control Deliverable term (InTt)

3.22.3 The value of InT_t is calculated in accordance with the following formula:

$$InT_t = InTA_t - InTR_t$$

where:

$InTA_t$ means the total of allowances in Appendix 1; and

$InTR_t$ has the value zero, unless after the Price Control Period the Authority directs that Part C applies.

Part B: What is the licensee funded to deliver?

3.22.4 The licensee is funded to deliver by 31 March 2026:

- a) Instrument Transformer Family replacements and decommissioning as specified in Appendix 1;
- b) a maximum number of Instrument Transformer Individual replacements and decommissioning as specified in the NGET Redacted Information Document; and
- c) in relation to 'DGA' and 'SF6' Instrument Transformer Individual replacement and decommissioning, the specific assets specified in the NGET Redacted Information Document.

Part B: Formula for calculating the Instrument Transformer Price Control Deliverable (InTRt)

3.22.5 Where the Authority makes a direction under paragraph 3.2.3, the value of $InTR_t$ will be calculated in accordance with the following formula:

$$InTR_t = \left[(InTF + InTI) \times \frac{InTRA_t}{\sum_{all\ t} InTRAt} \right]$$

where:

- $InTRA_t$ means the allowances in Appendix 1;
- $InTF$ is the revised Instrument Transformer Family term and is derived in accordance with paragraph 3.23.6; and
- $InTI$ is the revised Instrument Transformer Individual term and is derived in accordance with paragraph 3.23.7.

3.22.6 The value of $InTF$ is derived in accordance with the following formula:

$$InTF = MIN \left[\left(\sum_{all\ n} InTV_n \times InTU_n \right), InTAF \right]$$

where:

- $InTAF$ means the baseline allowance for Instrument Transformer Family replacement and decommissioning;
- $InTV_n$ means the number of Instrument Transformer Family replacements and decommissioning delivered by the licensee as of 31 March 2026 in each group, n;
- $InTU_n$ means the unit cost allowance for each Instrument Transformer group, n, as set out in the NGET Redacted Information Document; and
- n means the index number of each group.

3.22.7 The value of $InTI$ is derived in accordance with the following formula:

$$InTI = \sum_{n=1}^4 \sum_{d=1}^3 MIN (InTV_{n,d} \times InTU_n, InTA_{n,d} \times InTU_n)$$

where:

- $InTV_{n,d}$ means the number of Instrument Transformer Individual replacement and decommissioning delivered by the licensee as of 31 March 2026 in each group, n, and for each driver, d;
- $InTV_n$ means the number of target Individual Instrument Transformer replacement and decommissioning set out in the NGET Redacted Information Document in each group, n;
- $InTA_{n,d}$ means the unit cost allowance for each Instrument Transformer group, n, as set out in the NGET Redacted Information Document;
- $InTU_n$ means the unit cost allowance for each Instrument Transformer group, n, as set out in the NGET Redacted Information Document;

n means the index number of each group; and
d means the driver number.

Appendix 1 Instrument Transformer Replacement PCD allowance (£m 18/19)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
InTA _t	8.93	8.83	8.72	8.62	8.52	43.63

Special Condition 3.23 Bay Assets Price Control Deliverable (BA_t)

Introduction

3.23.1 The purpose of this condition is to calculate the term BA_t (the Bay Assets Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.23.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Bay Asset replacement and refurbishment.

Part A: Formula for calculating the Bay Assets Price Control Deliverable term (BA_t)

3.23.3 The value of BA_t is calculated in accordance with the following formula:

$$BA_t = BAA_t - BAR_t$$

where:

BAA_t means the sum of allowances in Appendix 1; and

BAR_t has the value zero, unless after the Price Control Period the Authority directs that Part C applies.

Part B: What is the licensee funded to deliver?

3.23.4 The licensee is funded to deliver by 31 March 2026 the target volume of replacement and refurbishment for each group of Bay Assets as specified in Appendix 2.

Part C: Assessment of the Price Control Deliverable (BAR_t)

3.23.5 The value of BAR_t is calculated in accordance with the following formula:

$$BAR_t = \left(\sum_{n=1}^6 BAV_n \times A_n \right) \frac{BAA_t}{\sum BAA_t}$$

where:

BAA_t means the Bay Assets allowance set out in Appendix 1.

$\sum BAA_t$ means the total Bay Assets allowance for the Price Control Period;

BAV_n means the difference between the target number of Bay Assets for each group n and the number of Bay Assets for each group n the licensee deliver as of 31 March 2026;

A_n means the Bay Asset allowed unit costs, as set out in Appendix 2; and

n means the Bay Asset groups, as set out in Appendix 2.

Appendix 1 Bays Asset PCD allowance (£m 18/19)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
InTA _t	13.52	13.36	13.20	13.05	12.90	66.03

Appendix 2 Target number of Bay Assets and allowed unit costs

n	Group descriptions	Target numbers	
		BAV _n	Allowed unit cost (£), A _n
1	Surge arrester (per phase) - 033kV	Have the values given in the NGET Redacted Information Document	
2	Surge arrester (per phase) - 132 and 275kV	Have the values given in the NGET Redacted Information Document	
3	Surge arrester (per phase) - 400kV and earth switches (3-phase) - 132 and 275kV	Have the values given in the NGET Redacted Information Document	
4	Earth switch (3-phase) - 400kV	Have the values given in the NGET Redacted Information Document	
6	Disconnecter (3-phase) - 275kV and 400kV	Have the values given in the NGET Redacted Information Document	
7	Disconnecter (3-phase) RCP - 132kV	Have the values given in the NGET Redacted Information Document	

Special Condition 3.24 Protection And Control Price Control Deliverable (PCt)

Introduction

3.24.1 The purpose of this condition is to calculate the term PC_t (the Protection And Control Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.24.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Protection And Control replacement and refurbishment.

Part A: Formula for calculating the Protection And Control Price Control Deliverable term (PC_t)

3.24.3 The value of PC_t is derived in accordance with the following formula:

$$PC_t = PCA_t - PCR_t$$

where:

PCA_t means the sum of allowances in Appendix 1; and

PCR_t has the value zero, unless after the Price Control Period the Authority directs that Part C applies

Part B: What is the licensee funded to deliver?

3.24.4 The licensee is funded to deliver by 31 March 2026 the target volume of Protection and Control replacement and refurbishment, as specified in Appendix 2.

Part C: Assessment of the Price Control Deliverable (PCR_t)

3.24.5 After the Price Control Period, the value of PCR_t will be calculated in accordance with the following formula:

$$PCR_t = \left(\sum_{n=1}^{22} PCV_n \times A_n \right)$$

where:

PCV_n means the difference between the target volume of Protection And Control for each group n and the volume of Protection And Control for each group n the licensee deliver as of 31 March 2026;

A_n means the Protection And Control allowed unit costs for each group n, as set out in Appendix 2; and

n means the Protection And Control asset group, as set out in Appendix 2.

Appendix 1 Protection and Control PCD allowance (£m 18/19)

Regulatory Year						
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
PCA _t	71.57	68.56	71.53	90.47	66.89	369.03

Appendix 2 Protection And Control target volumes and allowed unit costs (£m in 2018/19 prices)

n	Group descriptions	Target volumes	Allowed Unit Cost (£m in 2018/19 prices), (An)
1	Auto switching (auto close and hot standby units)	Have the values given in the NGET Information Document	Redacted
2	Automatic reactive switching	Have the values given in the NGET Information Document	Redacted
3	Automatic voltage control	Have the values given in the NGET Information Document	Redacted
4	Backup protection	Have the values given in the NGET Information Document	Redacted
5	Cable supervisory control and data acquisition system	Have the values given in the NGET Information Document	Redacted
6	Circuit breaker fail: mesh case and double busbar protection	Have the values given in the NGET Information Document	Redacted
7	Double busbar protection	Have the values given in the NGET Information Document	Redacted
8	Dynamic system monitoring	Have the values given in the NGET Information Document	Redacted
9	Fault recorder	Have the values given in the NGET Information Document	Redacted
10	Feeder protection	Have the values given in the NGET Information Document	Redacted
11	Feeder protection (2-ended)/(3-ended)	Have the values given in the NGET Information Document	Redacted
12	Gas density monitoring	Have the values given in the NGET Information Document	Redacted

13	Mesh corner busbar protection	Have the values given in the NGET Redacted Information Document
14	Mesh corner delayed auto-reclose	Have the values given in the NGET Redacted Information Document
15	Operational tripping scheme	Have the values given in the NGET Redacted Information Document
16	Reactive equipment; mechanical switched capacitor (spar)	Have the values given in the NGET Redacted Information Document
17	Reactive equipment; mechanical switched capacitor (full)	Have the values given in the NGET Redacted Information Document
18	Reactive Equipment; static var compensator	Have the values given in the NGET Redacted Information Document
19	Settlement metering	Have the values given in the NGET Redacted Information Document
20	Super grid transformer Protection	Have the values given in the NGET Redacted Information Document
21	Substation control system - refurbish	Have the values given in the NGET Redacted Information Document
22	Substation control system - replace	Have the values given in the NGET Redacted Information Document

Special Condition 3.25 Overhead Line Conductor Price Control Deliverable (OCt)

Introduction

3.25.1 The purpose of this condition is to calculate the term OC_t (the Overhead Line Conductor Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.25.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Overhead Line Conductor replacement.

Part A: Formula for calculating the Overhead Line Conductor Price Control Deliverable term (OC_t)

3.25.3 The value of OC_t is calculated in accordance with the following formula:

$$OC_t = OCA_t - OCR_t$$

where:

OCA_t means the sum of allowances in Appendix 1; and

OCR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.25.4 The licensee is funded to deliver by 31 March 2026 the target volume of Overhead Line Conductor replacement as specified in the NGET Redacted Information Document.

Part C: Assessment of outputs

3.25.5 The value of OCR_t is derived in accordance with the following formula:

$$OCR_t = \left(\sum_{n=1}^2 OCV_n \times A_n \right)$$

where:

OCV_n means the difference between the target volume of Overhead Line Conductor for each group n (as set out in the NGET Redacted Information Document) and the volume of Overhead Line Conductor for each group n delivered by the licensee as of 31 March 2026; and

A_n means the Overhead Line Conductor unit cost (per circuit kilometre), as set out in the NGET Redacted Information Document.

Appendix 1 Overhead Line Conductor PCD allowance (£m 18/19)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
OCA _t	65.72	112.39	80.94	53.27	34.06	346.39

Special Condition 3.26 Substation auxiliary systems use it or lose it allowance (SAS_t)

Introduction

3.26.1 The purpose of this condition is to calculate the term SAS_t (the substation auxiliary systems term). This contributes to the calculation of the Totex Allowance.

3.26.2 The effect of this condition is to:

- a) specify the allowance for the substation auxiliary systems use it or lose it allowance; and
- b) provide for a Use It Or Lose It Adjustment.

Part A: Formula for calculating the substation auxiliary systems term (SAS_t)

3.26.3 The value of SAS_t is derived in accordance with the following formula:

$$SAS_t = SASA_t - SASR_t$$

where:

SASA_t means the sum of allowances in Appendix 1; and

SASR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: Use It Or Lose It Adjustment

3.26.4 After the Price Control Period, the Authority will direct an amendment to the value of SASR_t where it considers that a Use It Or Lose It Adjustment is appropriate.

Part C: Authority's direction process

3.26.5 Before making a direction under paragraph 3.26.5, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.26.6 The direction will set out the value of the SASR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1 Substation auxiliary systems allowance (£m 18/19)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
SASA _t	7.00	6.92	6.84	6.76	6.68	34.18

Special Condition 3.27 SF6 asset intervention Re-opener and Price Control Deliverable (SF6RE_t and SF6_t)

Introduction

3.27.1 The purpose of this condition is to calculate the terms SF6_t (the SF6 asset intervention Price Control Deliverable term) and SF6RE_t (the SF6 asset intervention Re-opener term). These contribute to the calculation of the Totex Allowance.

3.27.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- b) establish a Re-opener for the licensee and the Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
- c) provide for an assessment of the Price Control Deliverable.

3.27.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.27.7, 3.27.11, and 3.27.12.

Part A: Formula for calculating the SF6 asset intervention Price Control Deliverable term (SF6_t) and the SF6 asset intervention Re-opener term (SF6RE_t)

3.27.4 The value of SF6_t is derived in accordance with the following formula:

$$SF6_t = (SF6A_t - SF6RA_t)$$

where:

SF6A_t means the sum of baseline allowances in Appendix 1; and

SF6RA_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.27.5 The value of SF6RE_t is derived in accordance with the following formula:

$$SF6RE_t = (SF6O_t - SF6RO_t)$$

where:

SF6O_t means the sum of allowances directed by the Authority as a result of re-openers established by Parts C and D; and

SF6RO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.27.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: SF6 asset intervention Re-opener

3.27.7 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where:

- a) an SF6 Alternative Gas that is capable of insulation or interruption in 400kV assets has become, or will imminently become, commercially available, and the licensee intends to replace any of the assets in Appendix 2 with such an SF6 Alternative Gas; or
- b) any of the assets in Appendix 2 are capable of being retro-filled with an SF6 Alternative Gas, and such retro-filling is for insulation purposes and does not impact on those assets' primary functions.

3.27.8 The licensee may only apply to the Authority for an adjustment under paragraph 3.27.7 Between 25 January and 31 January in each of the Regulatory Years starting on 1 April 2023 to 1 April 2025, or during such later periods as the Authority may direct.

3.27.9 An application under paragraph 3.27.7 must be made in writing to the Authority and must:

- a) set out any amendments to the outputs, delivery dates or allowances set out in Appendix 2;
- b) provide the reasons for any amendments requested to Appendix 2;
- c) explain the basis of the calculations for any amendments requested to allowances; and
- d) provide such supporting evidence including Front End Engineering Assessments, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification statements as is reasonable in the circumstances.

3.27.10 An application under paragraph 3.27.7 must:

- a) relate to changes in circumstances that have developed since the licensee submitted its Asset Intervention Plan to the Authority in October 2020;
- b) take account of any allowed expenditure, which can be avoided as a result of the change;
- c) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold; and

- d) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered Re-opener

3.27.11 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 2 where there has been a change in circumstances that:

- a) has developed since the licensee submitted its Asset Intervention Plan to the Authority in October 2020; and
- b) relates to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of outputs (SF6RA_t and SF6RO_t)

3.27.12 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for SF6RA_t and SF6RO_t where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction?

3.27.13 Before making a direction under paragraph 3.27.7, 3.27.11 or 3.27.12 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction;
- c) a period during within which representations may be made on the proposed direction, which will not be less than 28 days.

3.27.14 A direction under paragraph 3.27.7 or 3.27.11 will set out any amendments to Appendix 2.

3.27.15 A direction under paragraph 3.27.12 will set out the value of the SF6RA_t and SF6RO_t terms and the Regulatory Years to which those adjustments relate.

Appendix 1 SF6 asset intervention baseline allowances (SF6A_t) (£m 18/19)

Allowance					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
23.32	21.63	32.11	6.96	12.46	96.48

Appendix 2 SF6 asset intervention Price Control Deliverable Outputs (£m 18/19)

Site	Output	Delivery Date	Total Allowance (all years)
Osboldwick	400kV GIB Refurbishment	Have the values given in the NGET Redacted Information Document.	
Eaton Socon	400kV Targeted Refurbishment	Have the values given in the NGET Redacted Information Document.	
Eggborough	400kV Targeted Refurbishment	Have the values given in the NGET Redacted Information Document.	
Rassau	400kV GIS/GIB Refurbishment/Resealing	Have the values given in the NGET Redacted Information Document.	
Dinorwig	400kV Targeted Repair	Have the values given in the NGET Redacted Information Document.	
Northfleet East	400kV GIS/GIB Refurbishment	Have the values given in the NGET Redacted Information Document.	
Lackenby	400kV Outdoor GIB refurbishment	Have the values given in the NGET Redacted Information Document.	
Littlebrook	400kV GIB Refurbishment	Have the values given in the NGET Redacted Information Document.	
Sizewell	400kV Targeted repair in T2 and construct new GIS substation in T3	Have the values given in the NGET Redacted Information Document.	
Norton	400kV GIS/GIB Refurbishment	Have the values given in the NGET Redacted Information Document.	

Special Condition 3.28: Not Used

Special Condition 3.29: Not Used

Special Condition 3.30: Wider works volume driver (WWVt)

Introduction

3.30.1 The purpose of this condition is to calculate the term WWV_t (the wider works volume driver term). This contributes to the calculation of the Totex Allowance.

3.30.2 The effect of this condition is to provide funding for NOA driven wider works projects that are not included in Special Condition 3.9 (Wider works Price Control Deliverable).

Part A: Formula for calculating the wider works volume driver term (WWV_t)

3.30.3 The value of WWV_t is derived in accordance with the following formula:

$$WWV_t = WWVA_t - DAF \cdot (WWVA_t - WWVC_t) + TPWW_t$$

where

$WWVA_t$ is derived in accordance with Part B;

DAF means the delivery adjustment factor for wider works and has the value 50%;

$WWVC_t$ means the actual cost of wider works funded by this condition; and

$TPWW_t$ is derived in accordance with Part C.

Part B: Formula for calculating the non-baseline wider works allowance ($WWVA_t$)

3.30.4 The value of $WWVA_t$ is derived in accordance with the following formula:

$$WWVA_t = \sum_{p=2021/22}^{2027/28} PWW_{t,p} \cdot WWVAD_p$$

where:

p means the Regulatory Year in which the wider works are completed;

$PWW_{t,p}$ means the profiling factor set out in Appendix 1; and

$WWVAD_p$ means the total allowance before profiling for wider works completed in Regulatory Year p , derived in accordance with paragraph 3.30.5.

3.30.5 The value of $WWVAD_p$ is derived in accordance with the following formula:

$$WWVAD_p = \sum_i (WWVR_{p,i} + WWVNR_{p,i})$$

where:

i means the boundary i , set out in Appendix 2;

$WWVR_{p,i}$ means the total route allowance derived in accordance with paragraph 3.30.6; and

$WWVNR_{p,i}$ means the total non-route allowance derived in accordance with paragraph 3.30.7.

3.30.6 The value of $WWVR_{p,i}$ is derived in accordance with the following formula:

$$WWVR_{p,i} = \sum_x [CMWkm \cdot \ln(IncBC_{p,i,x} \cdot BLength_i) + Ckm \cdot (RLengthOHL_{p,i,x} + CLUGC_x \cdot RLengthUGC_{p,i,x})]$$

where:

- x means a route scheme which has delivered capability on boundary i in Regulatory Year p through works on overhead lines or underground cables and which has a NOA Proceed Signal;
- $CMWkm$ means the coefficient to calculate an allowance based on the product of the boundary capability increase and boundary length and has the value 0.7284 (£m per ln (MWkm));
- $IncBC_{p,i,x}$ means the increase in MW to the capability of the boundary i , delivered in Regulatory Year p by route scheme x ;
- $BLength_i$ means the length in km of the boundary i on which a specific route scheme delivers an increase of capability, as set out in Appendix 2;
- Ckm means the coefficient to calculate an allowance based on the circuit length and has the value 0.4102 (£m per km);
- $RLengthOHL_{p,i,x}$ means the circuit length of the overhead line on which a route scheme x has completed reinforcement work in Regulatory Year p on boundary i , except in relation to route works not involving a new conductor system, in which case it has the value zero;
- $CLUGC_x$ means the cable length factor applicable to route scheme x as set out in Appendix 3 below; and
- $RLengthUGC_{p,i,x}$ means the circuit length of the underground cable on which a route scheme x has completed reinforcement work in Regulatory Year p on boundary i .

3.30.7 The value of $WWVNR_{p,i}$ is derived in accordance with the following formula:

$$WWVNR_{p,i} = \sum_y CMW \cdot IncBC_{p,i,y}$$

where:

- y* means a non-route scheme which has delivered capability on boundary *i* in Regulatory Year *p*, through works other than those on overhead lines or underground cables, and which has a NOA Proceed Signal;
- IncBC_{p,i,y}* means the increase in MW to the capability of the boundary *i*, delivered in Regulatory Year *p* by non-route scheme *y*;
- CMW* means the coefficient to calculate an allowance based on the boundary capability increase and has the value 3.7397 (£m per MW).

Part C: Allowance for terminated projects (TPWW_t)

3.30.8 After the Price Control Period, the Authority will consider directing a value for TPWW_t to reflect expenditure efficiently incurred by the licensee to progress what would have been either a route or non-route scheme, which is then not required and cannot be used subsequently to contribute to the other outputs established by these special conditions.

3.30.9 Before making a direction under paragraph 3.30.8, the Authority will publish on the Authority's Website:

- the text of the proposed direction;
- the reasons for the proposed direction; and
- a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.30.10 The direction will set out the value of the TPWW_t term and the Regulatory Years to which that adjustment relates.

Appendix 1 Profiling factors (PWW_{t,p})

p=year of delivery allowance	t=2021/22	t=2022/23	t=2023/24	t=2024/25	t=2025/26	t=2026/27	t=2027/28
p=2021/22	1	0	0	0	0	0	0
p=2022/23	0.79	0.21	0	0	0	0	0
p=2023/24	0.42	0.37	0.21	0	0	0	0
p=2024/25	0.16	0.26	0.37	0.21	0	0	0
p=2025/26	0	0.16	0.26	0.37	0.21	0	0
p=2026/27	0	0	0.16	0.26	0.37	0.21	0
p=2027/28	0	0	0	0.16	0.26	0.37	0.21

Appendix 2 Defined boundaries and boundary length

Index	Boundary name	Boundary length (km)
i=1	B6	38.92

Index	Boundary name	Boundary length (km)
i=2	B6E	38.92
i=3	B6F	38.92
i=4	B6I	38.92
i=5	B6SPT	38.92
i=6	B7	100.66
i=7	B7a	72.82
i=8	B7aEF	72.82
i=9	B7aI	72.82
i=10	B7aRev	72.82
i=11	B8	39.32
i=12	B9	72.24
i=13	B10	68.75
i=14	B11	66.2
i=15	B12	53.93
i=16	B12a	91.15
i=17	B13	56.25
i=18	B14	35.57
i=19	B14e	35.57
i=20	B15	35.26
i=21	B16	87.62
i=22	B17	43.11
i=23	EC1	45.22
i=24	EC3	46.4
i=25	EC5	50.2
i=26	EC6	43.17
i=27	LE1	39.9
i=28	NW1	35.24
i=29	NW2	64.86
i=30	NW3	79.83
i=31	NW4	42.15
i=32	SC1	20.62
i=33	SC1Rev	20.62
i=34	SC2	47.68
i=35	SC2Rev	47.68
i=36	SC3	37.15
i=37	SW1	102.34

Appendix 3 Cable length factors

Type of underground cable	Cable length factor
132kV	5.10

275kV	7.83
400kV	8.01

Special Condition 3.31 Fibre Wrap Replacement Re-opener (FWR_t)

Introduction

- 3.31.1 The purpose of this condition is to calculate the term FWR_t (the Fibre Wrap Replacement term). This contributes to the calculation of the Totex Allowance.
- 3.31.2 The effect of this condition is to establish a Re-opener triggered by the licensee where there is a need for Fibre Wrap Replacement works on the licensee's Transmission System.
- 3.31.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.31.4 The licensee may apply to the Authority for a direction adjusting the value of the FWR_t term for Regulatory Years starting on 1 April 2024 and 1 April 2025 in relation to Fibre Wrap Replacement Works for which no allowance has been provided to date.

Part B: When to make an application

- 3.31.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.31.4:
- a) Between 25 January 2023 and 31 January 2023, and
 - b) during such other period as the Authority directs.

Part C: How to make an application

- 3.31.6 An application under paragraph 3.31.4 must be made in writing and:
- a) give a detailed justification of the technical need and the consumer benefit that the Fibre Wrap Replacement Works would deliver;
 - b) set out the adjustment to the value of the FWR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - c) explain the basis of the calculation for the proposed adjustment to the value of the FWR_t term;
 - d) set out the specific works that the licensee proposes to deliver; and
 - e) explain whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraphs (b) and (d) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified
- 3.31.7 An application under paragraph 3.31.4 must:

- a) be confined to costs incurred or expected to be incurred on or after 1 April 2024;
and
- b) relate to costs that do not exceed £34.6m.

Part D: What process will the Authority will follow in making a direction?

3.31.8 Before making a direction under paragraph 3.31.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.31.9 The direction will set out any adjustment to the value of the FWR_t term and the Regulatory Years to which that adjustment relates.

3.31.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.32 Civil Related Works Re-opener (CWR_t)

Introduction

3.32.1 The purpose of this condition is to calculate the term CWR_t (the Civil Related Works Re-opener term). This contributes to the calculation of the Totex Allowance.

3.32.2 The effect of this condition is to establish a Re-opener triggered by the licensee where Civil Related Works are required due to changes in asset health.

3.32.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.32.4 The licensee may apply to the Authority for a direction adjusting the value of the CWR_t term for any Regulatory Year during the Price Control Period as a result of the licensee identifying further evidence to support a needs case for Civil Related Works that were included in its Business Plan, but in relation to which no allowance has been provided to date.

Part B: When to make an application

3.32.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.32.4:

- a) Between 19 August 2022 and 26 August 2022; and
- b) during such other date as the Authority directs.

Part C: How to make an application

3.32.6 An application under paragraph 3.32.4 of this condition must be made in writing to the Authority and include:

- a) a statement of the adjustment to the CWR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- b) an explanation of the basis of the calculation for the proposed adjustment to the CWR_t term;
- c) the specific Civil Related Works that the licensee proposes to deliver;
- d) such detailed supporting evidence, as is reasonable in the circumstances, which must include:
 - i. a needs case for the Civil Related Works informed by network surveys;
 - ii. a breakdown of the costs associated with the Civil Related Work for the Authority's review; and

- iii. the resultant impact on asset health due to the proposed Civil Related Works;
and
- e) an explanation of whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraph(c) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.

3.32.7 An application under paragraph 3.32.4 of this condition must:

- a) relate to costs incurred or expected to be incurred after 1 April 2021; and
- b) must not exceed £58.1m.

Part D: What process will the Authority follow in making a direction?

3.32.8 Before making a direction under paragraph 3.32.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction;
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.32.9 The direction will set out any adjustment to the value of the CWR_t term and the Regulatory Years to which that adjustment relates.

3.32.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.33 Tower Steelworks and Foundations Re-opener (TSFt)

Introduction

- 3.33.1 The purpose of this condition is to calculate the term TSF_t (the Tower Steelworks and Foundations term). This contributes to the calculation of the Totex Allowance.
- 3.33.2 The effect of this condition is to establish a Re-opener triggered by the licensee in relation to Tower Steelwork and Foundations interventions.
- 3.33.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.33.4 The licensee may apply to the Authority for a direction adjusting the value of the TSF_t term for any Regulatory Year during the Price Control Period as a result of clarification of the needs case in relation to Tower Steelwork and Foundations interventions.
- 3.33.5 The licensee may not apply to the Authority for a direction adjusting the value of the TSF_t term for any Regulatory Year during the Price Control Period as a result of:
- a) steelwork being replaced due to condition not strengthening;
 - b) steelwork replacement delivered in association with overhead line conductor;
 - c) fittings projects; or
 - d) load-related projects.

Part B: When to make an application

- 3.33.6 The licensee may only apply to the Authority for an adjustment under paragraph 3.33.4:
- a) Between 22 July 2022 and 29 July 2022; and
 - b) during such other date as the Authority directs.

Part C: How to make an application

- 3.33.7 An application under paragraph 3.33.4 must be made in writing to the Authority and must include detailed justification of the technical need and, where relevant, the consumer benefit that the licensee considers the Tower Steelworks and Foundations interventions proposed will have, including:
- a) a comprehensive survey of overhead line Tower Steelwork and Foundation including clear scored and quantified asset data, that can be compared to historic data sets to show degradation;
 - b) a cost breakdown setting out:

- c) clear articulation of the selection of intervention options;
- d) cost breakdowns which discuss route specific interventions and which can be cross referenced to condition data;
- e) clear articulation and reasoning for any assumptions used; and
- f) clear presentation of historic works on the relevant assets and the impacts of this work;
- g) the adjustments to the value of the TSF_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- h) the basis of the calculation for the proposed adjustments to the value of the TSF_t term;
- i) the specific works the licensee proposes to deliver, which must include:
- j) climb based surveys for Tower Steelworks; and
- k) individual Foundations to be intervened on with sample data to support intervention; and
- l) an explanation of whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraphs (c) and (e) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified

3.33.8 An application under paragraph 3.33.4 of this condition must relate to costs incurred or expected to be incurred:

- a) on or after 1 April 2021; and
- b) not exceed £73.5m.

Part D: What process will the Authority follow in making a direction?

3.33.9 Before making a direction under paragraph 3.33.4 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction;
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.33.10 The direction will set out any adjustment to the value of the TSF_t term and the Regulatory Years to which that adjustment relates.

3.33.11 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.34 Tyne Crossing Project Re-opener (TCRt)

Introduction

3.34.1 The purpose of this condition is to calculate the term TCR_t (the Tyne Crossing Project Re-opener term). This contributes to the calculation of the Totex Allowance.

3.34.2 The effect of this condition is to establish a Re-opener triggered by the licensee in relation to the Tyne Crossing Project.

3.34.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.34.4 The licensee may apply to the Authority for a direction adjusting the value of the TCR_t term where there is evidence to support a well-justified needs case for the Tyne Crossing Project.

Part B: When to make an application

3.34.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.34.4:

- a) Between 25 February 2022 and 4 March 2022; and
- b) during such other date as the Authority directs.

Part C: How to make an application

3.34.6 An application under paragraph 3.34.4 must be made in writing to the Authority and:

- a) include detailed justification of the expected consumer benefits, including:
- b) an independent report which supports the socio-economic justification of the Tyne Crossing Project;
- c) supporting information from the System Operator which demonstrates the justification for the proposed option; and
- d) justification of the proposed option through clear options assessment through cost benefit analysis;
- e) set out the adjustments to the value of the TCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- f) explain the basis of the calculation of the proposed adjustments to the value of the TCR_t term;
- g) set out the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the TCR_t term; and

- h) explain whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraphs (b) and (d) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.

3.34.7 An application under paragraph 3.34.4 must relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: What process will the Authority follow in making a direction?

3.34.8 Before making a direction under paragraph 3.34.4, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.34.9 The direction will set out any adjustment to the value of the TCR_t term and the Regulatory Years to which that adjustment relates.

3.34.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.35 Bengeworth Road GSP Project Re-opener (BRG_t)

Introduction

3.35.1 The purpose of this condition is to calculate the term BRG_t (the Bengeworth Road GSP Project Re-opener term). This contributes to the calculation of the Totex Allowance.

3.35.2 The effect of this condition is to establish a Re-opener triggered by the Authority in relation to the Bengeworth Road GSP Project.

3.35.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

3.35.4 The Authority will consider directing an adjustment to the value of the BRG_t term and amending this licence condition to set an Evaluative PCD where, in its opinion, the licensee has demonstrated that it is or was efficient for it to incur expenditure in relation to the Bengeworth Road GSP Project, but in respect of which no funding has been provided to date.

Part B: What process will the Authority follow in making a direction?

3.35.5 Before making a direction under paragraph 3.35.4, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.35.6 The direction will set out any adjustment to the value of the BRG_t term and the Regulatory Years to which that adjustment relates.

3.35.7 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.36 Opex Escalator (OE_t)

Introduction

3.36.1 The purpose of this condition is to calculate the term OE_t (the opex escalator term). This contributes to the calculation of the Totex Allowance.

3.36.2 The effect is to provide an additional allowance for operating expenditure where capital expenditure has been provided under particular uncertainty mechanisms.

Part A: Formula for calculating the opex escalator term (OE_t)

3.36.3 The value of OE_t is derived in accordance with following formula:

$$OE_t = ('2025/26' - t + 1) \cdot 0.5\% \cdot UMCAP \cdot UMTERMA_t + 73.4\% \cdot BCAI \cdot \frac{UMTERMB_t}{BCAPEX}$$

where:

UMCAP means the capitalisation rate for uncertainty mechanism funded projects and has the value of 85%;

UMTERMA_t is derived in accordance with paragraph 3.36.4;

UMTERMB_t is derived in accordance with paragraph 3.36.4;

BCAI means the baseline allowance for closely associated indirect opex and has the value £829.7m; and

BCAPEX means the baseline allowance for capex and has the value £3606.0m.

3.36.4 The values of UMTERMA_t and UMTERMB_t are derived in accordance with the following formula:

$$UMTERMA_t = GCE_t + DRI_t + LOTIRE_t + MSIPRE_t + WWV_t + TCR_t + BRG_t$$
$$UMTERMB_t = UMTERMA_t + VIMRE_t + FWR_t + TSF_t + CWR_t$$

where

VIMRE_t is derived in accordance with Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance);

GCE_t is derived in accordance with Part A of Special Condition 3.11 (Generation Connections volume driver);

DRI_t is derived in accordance with Part A of Special Condition 3.12 (Demand Connections volume driver);

LOTIRE_t has the meaning given in Part A of Special Condition 3.13 (Large onshore transmission investment Re-opener);

- MSIPRE_t* is derived in accordance with Part A of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable);
- WWV_t* is derived in accordance with Part A of Special Condition 3.30 (Wider Works Volume Driver);
- FWR_t* has the value zero unless directed otherwise in accordance with Special Condition 3.31 (Fibre Wrap Replacement Re-opener);
- CWR_t* has the value zero unless directed otherwise in accordance with Special Condition 3.32 (Civil Related Works Re-opener);
- TSF_t* has the value zero unless directed otherwise in accordance with Special Condition 3.33 (Tower Steelworks and Foundations Re-opener);
- TCR_t* has the value zero unless directed otherwise in accordance with Special Condition 3.34 (Tyne Crossing Project Re-opener); and
- BRG_t* has the value zero unless directed otherwise in accordance with Special Condition 3.35 (Bengeworth Road GSP Project Re-opener).

Chapter 4 Output Delivery Incentives

Special Condition 4.1 Total output delivery incentive performance

Introduction

4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenues in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating total output delivery incentive performance

4.1.2 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = ENSI_t + IIGI_t + CONADJ_t + QCS_t + ESI_t + SOTO_t$$

where:

$ENSI_t$ is derived in accordance with Special Condition 4.2 (Energy not supplied output delivery incentive);

$IIGI_t$ is derived in accordance with Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive);

$CONADJ_t$ has the value zero unless the Authority directs otherwise in accordance with Special Condition 4.4 (Timely Connections output delivery incentive);

QCS_t is derived in accordance with Special Condition 4.5 (Quality of connections satisfaction survey output delivery incentive);

ESI_t is derived in accordance with Special Condition 4.6 (Environmental scorecard output delivery incentive); and

$SOTO_t$ is derived in accordance with Special Condition 4.7 (SO-TO optimisation output delivery incentive).

Special Condition 4.2 Energy not supplied output delivery incentive (ENSI_t)

Introduction

- 4.2.1 The purpose of this condition is to provide for the calculation of the term ENSI_t (the energy not supplied output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.2.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to Incentivised Loss of Supply Events.
- 4.2.3 This condition also places obligations on the licensee:
- to maintain and use best endeavours to comply with the ENS Incentive Methodology Statement;
 - in relation to the notification and treatment of ENS Exceptional Events; and
 - in relation to Incentivised Loss of Supply Events.

Part A: Formula for calculating the energy not supplied incentive term (ENSI_t)

- 4.2.4 The value of the term ENSI_t is derived in accordance with the following formula:

$$ENSI_t = \max [VOLL \cdot TIS(ENST_t - ENSA_t), -RIDPA \cdot EABR]$$

where:

- VOLL means the value of lost load which has the value £21,008 per MWh;
- TIS means the Totex Incentive Strength;
- ENST_t means the Incentivised Loss of Supply Events volume target and has the value of 147MWh;
- ENSA_t means the sum volume of all Incentivised Loss of Supply Events as calculated by the licensee in accordance with this condition;
- RIDPA means the maximum downside percentage adjustment, and has the value 1.9 per cent; and
- EABR means Ex-Ante Base Revenue.

Part B: ENS Incentive Methodology Statement

- 4.2.5 The licensee must have in place an ENS Incentive Methodology Statement approved by the Authority
- 4.2.6 When preparing the ENS Incentive Methodology Statement, the licensee must have regard to:

- a) the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition; and
- b) the NETS SQSS.

4.2.7 The licensee must use its best endeavours to apply the methodology in the ENS Incentive Methodology Statement.

4.2.8 The licensee, in consultation with the other Transmission Owners in whose licence a condition equivalent to this one has effect, must from time to time and at least once during the Price Control Period, review and propose any revisions to the ENS Incentive Methodology Statement as may be necessary in order to ensure that it continues to enable the reasonable estimation of the volume of Incentivised Loss of Supply Events.

4.2.9 Before revising the ENS Incentive Methodology Statement, the licensee must provide a copy of the proposed revisions to the Authority.

4.2.10 The Authority will:

- a) approve the proposed revisions;
- b) reject the proposed revisions; or
- c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

4.2.11 The Authority may direct changes to the value of the $ENST_t$ term in any Regulatory Year as a result of any proposed revisions to the ENS Incentive Methodology Statement in order to ensure as far as possible that the measured performance of the licensee against this incentive is the same as if the revision to that statement had not taken place.

Part C: Amendment of $VOLL_t$

4.2.12 The Authority may direct that the term $VOLL_t$ be changed once during the Price Control Period in order to ensure as far as possible that it best reflects customers' valuation of reliable electricity supply.

Part D: Notification and treatment of ENS Exceptional Events

4.2.13 Where the licensee considers that an ENS Exceptional Event has wholly or partly caused energy not to be supplied to a customer, the licensee must:

- a) notify the Authority of that event as soon as reasonably practicable, but at the latest before the end of the period of 14 days beginning with the date of the event;

- b) except where the Authority otherwise consents, during the period of 30 days beginning with the date of notification under sub-paragraph (a), provide to the Authority:
- i. details of the volume of energy not supplied that it considers resulted from the ENS Exceptional Event; and
 - ii. any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - iii. any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event, to limit the effect of the ENS Exceptional Event and to restore supplies quickly and efficiently.

4.2.14 Where an ENS Exceptional Event occurs, the Authority will consider directing an adjustment to the value of the ENSA_t term.

Part E: Licensee's obligations in respect of Incentivised Loss of Supply Events

4.2.15 The licensee must use its reasonable endeavours to:

- a) prevent Incentivised Loss of Supply Events;
- b) mitigate the impact after any such event to limit its effect; and
- c) restore supplies quickly and efficiently after such an event, having due regard to safety and other relevant legal obligations.

Part F: Process for issuing directions

4.2.16 Before issuing a direction under paragraphs 4.2.11, 4.2.12 or 4.2.14, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons why it proposes to issue the direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGIt)

Introduction

- 4.3.1 The purpose of this condition is to calculate the term IIGIt (the Insulation And Interruption Gas emissions output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.3.2 The effect of this incentive is to reward or penalise the licensee to reflect its performance in relation to Insulation And Interruption Gas emissions from assets forming part of the licensee's Transmission System as compared against the calculated baseline target emissions.
- 4.3.3 This condition also places obligations on the licensee:
- to maintain and use its best endeavours to comply with the IIG Methodology Statement; and
 - in relation to the notification and treatment of IIG Exceptional Events.

Part A: Formula for calculating the Insulation And Interruption Gas emissions output delivery incentive term (IIGIt)

- 4.3.4 The value of IIGIt is derived in accordance with the following formula:

$$IIGI_t = (CTE_t - ALE_t) \cdot NTPC_t \cdot TIS_t$$

where:

- CTE_t means the calculated baseline target Insulation And Interruption Gas emissions in tonnes CO₂e from assets forming part of the licensee's Transmission System, which is derived in accordance with paragraph 4.3.5;
- ALE_t means the actual Insulation And Interruption Gas emissions in tonnes of CO₂e from assets forming part of the licensee's Transmission System as calculated by the licensee in accordance with this condition;
- NTPC_t means the relevant central non-traded price per tonne of CO₂e as set out in the Green Book Supplementary Guidance; and
- TIS_t means the Totex Incentive Strength.

- 4.3.5 The value of CTE_t is derived in accordance with the following formula:

$$CTE_t = BASE + \sum_{t=2021/22}^t (ADD_t - DSP_t - SFADJ_t)$$

where:

- BASE** means the licensee's baseline Insulation And Interruption Gas emissions in tonnes CO₂e and is calculated with respect to the Regulatory Year 2021/22 by multiplying the licensee's IIG Inventory at the end of RIIO-ET1, by 1.18%;
- ADD_t** means the Insulation And Interruption Gas emissions in tonnes CO₂e from new assets added to the licensee's Transmission System as calculated in accordance with this condition. For an asset added during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it formed part of the licensee's Transmission System;
- DSP_t** means the reduction in Insulation And Interruption Gas emissions in tonnes CO₂e from assets decommissioned from service on the licensee's Transmission System as calculated in accordance with this condition. For an asset removed during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it did not form part of the licensee's Transmission System; and
- SFAD_t** means the reduction in Insulation And Interruption Gas emissions in tonnes CO₂e from Funded SF₆ Asset Interventions on the licensee's Transmission System following completion of the intervention, calculated using an estimate of the expected annual abatement, as set out in its submissions for funding for those interventions. For an asset intervened on during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which that asset formed part of the licensee's Transmission System after the intervention work was completed.

Part B: IIG Methodology Statement

4.3.6 The licensee must have in place an IIG Methodology Statement approved by the Authority.

4.3.7 The IIG Methodology Statement must:

- (a) be consistent with industry best practice for measuring actual and estimating expected leakage of Insulation And Interruption Gases from the assets forming part of the licensee's Transmission System; and
- (b) in respect of each Insulation And Interruption Gas, set out how the licensee's actual and expected emissions are adjusted to tonnes of CO₂e by:

- a. using the relevant global warming potential values set out in the latest assessment report of the United Nations Intergovernmental Panel on Climate Change as published on the Greenhouse Gas Protocol Website;
 - b. where the information in i. above is not available, using the relevant global warming potential values set out in Annex IV (Method of Calculating the Total GWP of a Mixture) to Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006; or
 - c. where the information in i. or ii. above is not available, using the relevant global warming potential values from an alternative appropriate source, and explain the process undertaken to verify that source; and
- (c) set out the methodology by which the licensee will determine the leakage of Insulation And Interruption Gases from the assets forming part of its Transmission System for the purposes of calculating the ALE_t , ADD_t and DSP_t terms.
- 4.3.8 The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.
- 4.3.9 The licensee must from time to time and in any event not less than once in every period of two Regulatory Years, review and propose such revisions to the IIG Methodology Statement as may be necessary in order to ensure that it continues to comply with paragraph 4.3.7.
- 4.3.10 Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.
- 4.3.11 The Authority will:
- a) approve the proposed revisions;
 - b) reject the proposed revisions; or
 - c) reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made.

Part C: Notification and treatment of IIG Exceptional Events

- 4.3.12 Where the licensee considers that an IIG Exceptional Event has wholly or partly caused leakage of an Insulation And Interruption Gas, it must:
- a) notify the Authority of that event as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date of the event;

- b) except where the Authority otherwise consents, during the period of 30 days beginning with the notification under sub-paragraph (a), provide to the Authority:
- c) details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from the IIG Exceptional Event;
- d) any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
- e) any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event to limit its effect.

4.3.13 The licensee must not provide the details required by paragraph 4.3.12(b) where the cost of doing so is likely to exceed the value, of the volume of leakage referred to in paragraph 4.3.12(b)(i), calculated using the relevant central non-traded price per tonne of CO₂e as set out in the Green Book Supplementary Guidance.

4.3.14 Where an IIG Exceptional Event occurs, the Authority will consider directing an adjustment to the ALE_t term.

4.3.15 Before directing an adjustment to the ALE_t term under paragraph 4.3.14, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.4 Timely Connections output delivery incentive (CONADJ_t)

Introduction

- 4.4.1 The purpose of this condition is to calculate the term CONADJ_t (the timely connections output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.4.2 Where the Authority decides to apply the CONADJ_t term, the effect will be to penalise the licensee for failing to deliver timely offers for connection to the licensee's Transmission System.

Part A: Formula for calculating the Timely Connections incentive (CONADJ_t)

- 4.4.3 The value of CONADJ_t is derived in accordance with the following formula:

$$CONADJ_t = - \frac{Untimely\ Offers_t}{Total\ Offers_t} 0.005 EABR_t$$

where:

- Untimely Offers_t means the total number of offers made other than in accordance with the licensee's Timely Connections Obligations;
- Total Offers_t means the sum of the number of Untimely Offers and the number of offers made consistent with the licensee's Timely Connections Obligations; and
- EABR means Ex-Ante Base Revenue.

Part B: Process for directing the application of the CONADJ_t term

- 4.4.4 Where the Authority considers that the CONADJ_t term should apply as an adjustment to the licensee's Calculated Revenue it will do so by direction.
- 4.4.5 Before issuing a direction under paragraph 4.4.4 the Authority will publish on the Authority's Website:
- the text of the proposed direction;
 - the reasons for the proposed direction; and
 - a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCSt)

Introduction

- 4.5.1 The purpose of this condition is to calculate the term QCS_t (the quality of connections satisfaction survey output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.5.2 The effect of this output delivery incentive is to reward or penalise the licensee where its customer service performance improves or deteriorates.

Part A: Adjustments arising from the quality of connections satisfaction survey (QCS_t)

- 4.5.3 The value of the QCS_t term is derived in accordance with the following formula:

$$QCS_t = \begin{cases} \min\left(\frac{QCSAS_t - QCSATU_t}{QCSAMAX_t - QCSATU_t}, 1\right) QCSUPA_t . EABR_t, & QCSAS_t \geq QCSATU_t \\ \max\left(\frac{QCSAS_t - QCSATU_t}{QCSATU_t - QCSAMIN_t}, -1\right) QCSDPA_t . EABR_t, & QCSAS_t < QCSATU_t \end{cases}$$

where:

- $QCSAS_t$ means the performance score for the quality of connections satisfaction survey;
- $QCSATU_t$ means the quality of connections satisfaction survey performance score target, fixed at 7.7
- $QCSAMAX_t$ means the quality of connections satisfaction survey maximum level of reward, which is fixed as 9;
- $QCSAMIN_t$ means the quality of connections satisfaction survey maximum level of penalty, which is fixed as 6.4;
- $EABR$ means Ex-Ante Base Revenue ;
- $QCSUPA_t$ means the quality of connections satisfaction survey maximum upside percentage point adjustment, and has the value specified in Appendix 1; and
- $QCSDPA_t$ means the quality of connections satisfaction survey maximum downside percentage point adjustment, and has the value specified in Appendix 1.

Appendix 1

Quality of connections survey maximum upside and minimum downside percentage point adjustment

Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26
$QCSUPA_t$	0.0025	0.005	0.005	0.005	0.005
$QCSDPA_t$	0	0.005	0.005	0.005	0.005

Special Condition 4.6 Environmental scorecard output delivery incentive (ESIt)

Introduction

- 4.6.1 The purpose of this condition is to calculate the term $ESIt$ (the environmental scorecard output delivery incentive term). This contributes to the calculation of the $ODIt$ term (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 The effect of this incentive is to reward or penalise the licensee for its performance in seven environmental areas compared to annual thresholds.

Part A: Formula for calculating the environmental scorecard incentive ($ESIt$)

- 4.6.3 The value of $ESIt$ is derived in accordance with the following formula:

$$ESIt = (BMt + WRt + OWt + WUt + EVt + EGt) * TIS$$

where:

BMt means the value for the business mileage emissions component of the environmental scorecard incentive derived in accordance with the following formula:

$$\begin{aligned} &= 2 * BMt, \text{ if } BMA_t \leq BMTR_{2t} \\ &= BMt, \text{ if } BMTR_{1t} \geq BMA_t > BMTR_{2t} \\ &= -2 * BMt, \text{ if } BMA_t \geq BMTP_{2t} \\ &= -BMt, \text{ if } BMTP_{1t} \leq BMA_t < BMTP_{2t} \\ &\text{otherwise has the value zero;} \end{aligned}$$

BMt means the incentive for business mileage emissions and has the value set out in Appendix 1;

BMA_t means the percentage change in the licensee's total business mileage emissions compared to baseline levels in Appendix 3;

$BMTR_{2t}$ means the second reward threshold for business mileage emissions and has the value set out in Appendix 2;

$BMTR_{1t}$ means the first reward threshold for business mileage emissions and has the value set out in Appendix 2;

$BMTP_{1t}$ means the first penalty threshold for business mileage emissions and has the value set out in Appendix 2;

$BMTP_{2t}$ means the second penalty threshold for business mileage emissions and has the value set out in Appendix 2;

WRt means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula:

$= 2 * WR_t$, if $WRA_t \geq WRTR2_t$
 $= WR_t$, if $WRTR1_t \leq WRA_t < WRTR2_t$
 $= -2 * WR_t$, if $WRA_t \geq WRTP2_t$
 $= -WR_t$, if $WRTP1_t \leq WRA_t < WRTP2_t$
 otherwise has the value zero;

WR_t means the incentive for waste recycling and has the value set out in Appendix 1;

WRA_t means the percentage of the licensee's operational and office waste that is recycled;

$WRTR2_t$ means the second reward threshold for waste recycling and has the value set out in Appendix 2

$WRTR1_t$ means the first reward threshold for waste recycling and has the value set out in Appendix 2;

$WRTP1_t$ means the first penalty threshold for waste recycling and has the value set out in Appendix 2;

$WRTP2_t$ means the second penalty threshold for waste recycling and has the value set out in Appendix 2;

OW_t means the value for the office waste reduction component of the environmental scorecard incentive derived in accordance with the following formula:

$= 2 * OW_t$, if $OWA_t \leq OWTR2_t$
 $= OW_t$, if $OWTR1_t \geq OWA_t > OWTR2_t$
 $= -2 * OW_t$, if $OWA_t \geq OWTP2_t$
 $= -OW_t$, if $OWTP1_t \leq OWA_t < OWTP2_t$
 otherwise has the value zero;

OW_t means the incentive for office waste reduction and has the value set out in Appendix 1;

OWA_t means the percentage change in the waste generated at the Licensee's Offices compared to baseline levels in Appendix 3, provided that for the Warwick site, the amount of waste generated will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;

$OWTR2_t$ means the second reward threshold for office waste reduction and has the value set out in Appendix 2;

OWTR1 _t	means the first reward threshold for office waste reduction and has the value set out in Appendix 2;
OWTP1 _t	means the first penalty threshold for office waste reduction and has the value set out in Appendix 2;
OWTP2 _t	means the second penalty threshold for office waste reduction and has the value set out in Appendix 2;
WU _t	means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * WU_t, \text{ if } WUA_t \leq WUTR2_t$ $= WU_t, \text{ if } WUTR1_t \geq WUA_t > WUTR2_t$ $= -2 * WU_t, \text{ if } WUA_t \geq WUTP2_t$ $= -WU_t, \text{ if } WUTP1_t \leq WUA_t < WUTP2_t$ otherwise has the value zero;
WU _t	means the incentive for water use reduction and has the value set out in Appendix 1;
WUA _t	means the percentage change in the volume of water use at the Licensee's Offices compared to the baseline levels in Appendix 3, provided that for the Warwick site, the amount of water use will be attributed to the licensee and other parties in proportion with the capex allocation (as notified by the licensee to the Authority) for each party residing at the site;
WUTR2 _t	means the second reward threshold for water use reduction and has the value set out in Appendix 2;
WUTR1 _t	means the first reward threshold for water use reduction and has the value set out in Appendix 2;
WUTP1 _t	means the first penalty threshold for water use reduction and has the value set out in Appendix 2;
WUTP2 _t	means the second penalty threshold for water use reduction and has the value set out in Appendix 2;
EG _t	means the value for the Environmental Net Gain component of the environmental scorecard incentive derived in accordance with the following formula: $= \min(\pounds 1.5m, EGR_t) + \max(-\pounds 1.5m, EGP_t)$
EGR _t	means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula:

$$=NR_t * EG_t$$

otherwise has the value zero;

EGP_t means the value of penalty for all Qualifying Projects that have achieved equal to or less than the penalty threshold and is derived in accordance with the following formula:

$$=NP_t * EG_t$$

otherwise has the value zero;

NR_t means the number of projects that have met or exceeded the reward threshold and is calculated in accordance with the following formula:

$$= \sum_i, \text{ for all Qualifying Project } i \text{ where } EGA_{i,t} \geq EGTR,$$

otherwise has the value zero;

NP_t means the number of projects that have achieved equal to or less than the penalty threshold and is derived in accordance with the following formula:

$$= \sum_i, \text{ for all Qualifying Project } i \text{ where } EGA_{i,t} \leq EGTP_t$$

otherwise has the value zero;

EG_t means the incentive for Environmental Net Gain and has the value set out in Appendix 1;

$EGA_{i,t}$ means the percentage change in Environmental Net Gain of Qualifying Project i ;

$EGTR_t$ means the reward threshold for Environmental Net Gain and has the value set out in Appendix 2;

$EGTP_t$ means the penalty threshold for Environmental Net Gain and has the value set out in Appendix 2;

EV_t means the value for the Environmental Value component of the environmental scorecard incentive;

For years 2021/22 to 2024/25, EV_t is derived in accordance with the following formula:

$$=EVPC_t + EVCOR_t$$

For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula:

$$= -4 * EVI_t - EVCOR_{t-1}, \text{ if } \sum_{2021/22}^t EVA_t < 6,$$

$$= (\text{Min} (\sum_{2021/22}^t EVA_t, 14) - 10) * EVI_t - EVCOR_{t-1} \text{ in all other cases;}$$

EVPC_t means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula:

$$= EVI_t * (EVTP2_t - EVTT_t), \text{ if } EVA_t \leq EVTP2_t;$$

$$= EVI_t * (EVTP1_t - EVTT_t), \text{ if } EVTP2_t < EVA_t \leq EVTP1_t;$$

$$= EVI_t * (EVTR1_t - EVTT_t), \text{ if } EVTR1_t \leq EVA_t < EVTR2_t;$$

$$= EVI_t * (EVTR2_t - EVTT_t), \text{ if } EVA_t \geq EVTR2_t;$$

otherwise has the value zero;

EVI_t means the incentive for Environmental Value and has the value set out in Appendix 1;

EVTR1_t means the first reward threshold for Environmental Value and has the value set out in Appendix 2;

EVTR2_t means the second reward threshold for Environmental Value and has the value set out in Appendix 2;

EVTP1_t means the first penalty threshold for Environmental Value and has the value set out in Appendix 2;

EVTP2_t means the second penalty threshold for Environmental Value and has the value set out in Appendix 2;

EVTT_t means the baseline Environmental Value target which is equal to 1 in year 2021/22 and otherwise has a value of 2.25;

EVA_t means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 1;

EVCOR_t means the correction factor for the Environmental Value component and is derived in accordance with the following formula:

$$= \text{Min} [-(EVCOR_{t-1} + EVPC_t), (EVA_t - EVTT_t) * EVI_t], \text{ if } (EVCOR_{t-1} + EVPC_t) < 0 \text{ AND } EVA_t > EVTT_t$$

$$= \text{Max} [-(EVCOR_{t-1} + EVPC_t), (EVA_t - EVTT_t) * EVI_t], \text{ if } (EVCOR_{t-1} + EVPC_t) > 0 \text{ AND } EVA_t < EVTT_t$$

otherwise has the value zero;

EVCOR_t means the cumulative calculated value of the Environmental Value component of the Environmental Scorecard over the Price Control Period and is derived in accordance with the following formula:

$$= \sum_{2021/22}^t EV_t; \text{ and}$$

TIS	means the Totex Incentive Strength.
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Appendix 1 Incentive values

Incentive values	2021/22	2022/23	2023/24	2024/25	2025/26
BMI _t	£2,615	£2,667	£2,694	£5,440	£5,493
WRI _t	£4,102	£4,102	£4,102	£4,102	£5,128
OWI _t	£173	£173	£173	£346	£865
WUI _t	£4	£4	£4	£9	£23
EVI _t	£2,816,055	£2,816,055	£2,816,055	£2,816,055	£2,816,055
EGI _t	£70,000	£70,000	£70,000	£70,000	£70,000

Appendix 2 Annual performance thresholds

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
BMTR2	-4%	-6%	-8%	-12%	-14%
BMTR1	-3%	-5%	-7%	-10%	-12%
BMTP1	-1%	-3%	-5%	-6%	-8%
BMTP2	-0%	-2%	-4%	-5%	-6%
WRTR2	56%	58%	61%	65%	70%
WRTR1	52%	54%	57%	61%	65%
WRTP1	44%	46%	49%	53%	55%
WRTP2	40%	42%	45%	49%	50%
OWTR2	-4%	6%	9%	12%	30%
OWTR1	-3%	5%	7%	10%	25%
OWTP1	-1%	3%	5%	6%	15%
OWTP2	-0%	2%	3%	4%	10%
WUTR2	-4%	-6%	-9%	-12%	-30%
WUTR1	-3%	-5%	-7%	-10%	-25%
WUTP1	-1%	-3%	-5%	-6%	-15%
WUTP2	-0%	-2%	-3%	-4%	-10%

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
EVTR2	1.4%	3.15%	3.15%	3.15%	3.15%
EVTR1	1.2%	2.7%	2.7%	2.7%	2.7%
EVTP1	0.8%	1.8%	1.8%	1.8%	1.8%
EVTP2	0.6%	1.35%	1.35%	1.35%	1.35%
EGTR1	15%	15%	15%	15%	15%
EGTP1	5%	5%	5%	5%	5%

Appendix 3 Baseline measures

Impact area	Year	Level
Business mileage emissions tCO2e	2019/20	3120
Licensee's Office waste generated in tonnes	2019/20	134.6
Licensee's Office water use in m3	2019/20	13,120
Environmental Value of licensee's non-operational land (£M)	2019/20	£281.6

Special Condition 4.7 SO-TO optimisation output delivery incentive

Introduction

- 4.7.1 The purpose of this condition is to calculate the term $SOTO_t$ (the SO-TO optimisation output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.7.2 The effect of this incentive is to reward the licensee where it has delivered SO-TO Optimisation Solutions under the STCP11.4 Enhanced Service Provision.

Part A: Formula for calculating the SO-TO optimisation output delivery incentive term ($SOTO_t$)

- 4.7.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of the term $SOTO_t$ is derived in accordance with the following formula:

$$SOTO_t = \min(SOTOSF_t \cdot SOTOS_t, SOTOCAP_t)$$

where:

- $SOTOSF_t$ means the SO-TO optimisation sharing factor which has the value of 0.1;
- $SOTOS_t$ means the total constraint savings forecasted by NGENSO for the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and
- $SOTOCAP_t$ means the cap of rewards for the SO-TO optimisation output delivery incentive and has the value of £5m.

- 4.7.4 For Regulatory Years commencing on or after 1 April 2023, the value of the $SOTO_t$ term will be zero, unless the Authority directs that the value is to continue being derived in accordance with the formula in paragraph 4.7.3.

Part B: SO-TO Optimisation Governance Document

- 4.7.5 The licensee must comply with the SO-TO Optimisation Governance Document.
- 4.7.6 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.
- 4.7.7 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.

4.7.8 The SO-TO Optimisation Governance Document will make provision about the governance and administration of the SO-TO Optimisation output delivery incentive, including:

- a) the definition of 'SOTO Optimisation Solutions'; and
- b) the reporting obligations in respect of the SO-TO optimisation output delivery incentive.

4.7.9 Before issuing the SO-TO Optimisation Governance Document the Authority will publish on the Authority's Website:

- a) the text of the proposed SO-TO Optimisation Governance Document;
- b) the date on which the Authority intends the SO-TO Optimisation Governance Document to come into effect;
- c) a period during which representations may be made on the content of the SO-TO Optimisation Governance Document, which will not be less than 28 days.

4.7.10 Before amending the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:

- a) the text of the amended SO-TO Optimisation Governance Document;
- b) the date on which the Authority intends the amended SO-TO Optimisation Governance Document to come into effect;
- c) the reasons for the amendments to the SO-TO Optimisation Governance Document; and
- d) a period during which representations may be made on the amendments to the SO-TO Optimisation Governance Document, which will not be less than 28 days.

Part C: SO-TO Optimisation Report

4.7.11 The licensee must prepare a SO-TO Optimisation Report in accordance with the SO-TO Optimisation Governance Document.

Special Condition 4.8: Not Used

Chapter 5: Other Revenue Allowances

Special Condition 5.1 Total other revenue allowances (ORA_t)

Part A: Introduction

5.1.2 The purpose of this condition is to calculate the term ORA_t (the other revenue allowances term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part B: Formula for calculating other revenue allowances term (ORA_t)

5.1.3 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + NTMP_t + NZ3C_t + TIRG_t + PRPN_t$$

where:

NIA_t is derived in accordance with Special Condition 5.2 (RIIO-2 network innovation allowance);

$CNIA_t$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);

$NTMP_t$ is derived in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance);

$NZ3C_t$ is derived in accordance with Special Condition 5.6 (Net Zero carbon Capital Construction use it or lose it allowance);

$TIRG_t$ is derived in accordance with Special Condition 5.7 (Transmission investment for renewable generation); and

$PRPN_t$ means the pre-RIIO pension true-up and has the value given in the ET2 Price Control Financial Model.

Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the network innovation allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the network innovation allowance (NIA_t)

- 5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

$$NIA_t = 90\% \cdot NIAE_t$$

where:

NIAE_t means the Total NIA Expenditure.

- 5.2.5 The total value of the network innovation allowance over the RIIO-2 Price Control Period is subject to the following cap:

$$\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4.

TNIA_t means the value of the licensee's network innovation allowance as set out in Appendix 1.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

Part B: The RIIO-2 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-2 NIA Governance Document.
- 5.2.8 The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.
- 5.2.9 The Authority will publish the RIIO-2 NIA Governance Document on the Authority's Website.

5.2.10 The RIIO-2 NIA Governance Document will make provision about the governance and administration of the NIA, including:

- a) the definition of "unrecoverable NIA expenditure";
- b) the eligibility criteria, which RIIO-2 NIA Projects must meet;
- c) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
- d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
- e) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence;
- f) the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
- g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.

5.2.11 Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:

- a) the text of the proposed RIIO-2 NIA Governance Document;
- b) the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
- c) a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.

5.2.12 Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority's Website:

- a) the text of the amended RIIO-2 NIA Governance Document;
- b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
- c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
- d) a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

Appendix 1 Value of the licensee's network innovation allowance

Licensee	Value of TNIA (£m)
NGET	49.30

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 For the Regulatory Year commencing on 1 April 2021, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (0.9 \cdot \min[ECNIA_t, CNIIV] - CNIAR_t) \frac{PI_{2018/19}}{PI_t}$$

where

- ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance);
- CNIIV is derived in accordance with Part B;
- CNIAR means an amount recovered by the licensee in relation to the Regulatory Year 2021/22 under the RIIO-1 Network Innovation Allowance which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document; and
- PI_t is the price index derived in accordance with Part F of Special Condition 2.1 (Revenue restriction).

- 5.3.5 For Regulatory Years commencing on or after 1 April 2022, the value of CNIA_t is zero.
- 5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIIV)

5.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_{2020/21} \cdot BR_{2020/21} - (ENIA_{2020/21} + BPC_{2020/21})$$

where:

- NIAV2020/21* is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;
- BR2020/21* is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;
- ENIA2020/21* is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and
- BPC2020/21* is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

Part C: The RIIO-1 NIA Governance Document

5.3.8 The licensee must comply with the RIIO-1 NIA Governance Document.

5.3.9 The Authority will amend the RIIO-1 NIA Governance Document by direction.

5.3.10 The RIIO-1 NIA Governance Document makes and will continue to make additional provision in respect of:

- a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence;
- b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
- c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
- d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

Part D: Procedure for amending the RIIO-1 NIA Governance Document

5.3.11 Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended RIIO-1 NIA Governance Document;
- b) the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
- c) the reasons for the amendments to the RIIO-1 NIA Governance Document; and
- d) a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

Special Condition 5.4: Non-Technical Mitigation Projects allowance (NTMPt)

Introduction

- 5.4.1 The purpose of this condition is to specify the term $NTMP_t$ (the Non-Technical Mitigation Projects term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.4.2 The effect of this condition is to provide an allowance for Non-Technical Mitigation Projects.

Part A: Amending $NTMP_t$ values

- 5.4.3 The value of the term $NTMP_t$ in each Regulatory Year is the total amount of the licensee's allowances for Non-Technical Mitigation Projects for that Regulatory Year.
- 5.4.4 The Authority will calculate $NTMP_t$ Value for the licensee in accordance with the following formula:

$$NTMP_t = \max \left(\min \left(NTPAE_t, \quad NTPC - \sum_{k=2021/22}^{2025/26} NTPAE_k \right), 0 \right)$$

where:

- $NTPC$ means the total value of the licensee's expenditure cap for Non-Technical Mitigation Projects for the Price Control Period set out in Appendix 1;
- $NTPAE_t$ means the licensee's expenditure on Non-Technical Mitigation Projects that the licensee reports to the Authority it has incurred that Regulatory Year in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy required by Part C of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance); and
- $NTPAE_k$ means the licensee's expenditure on Non-Technical Mitigation Projects that the licensee has reported to the Authority for previous Regulatory Years of the Price Control Period.

Appendix 1

Appendix 2 Expenditure cap for Non-Technical Mitigation Projects ($NTPC_t$) (£m, 2018/19 prices)

7.5

Special Condition 5.5: Not Used

Special Condition 5.6: Net zero carbon Capital Construction use it or lose it allowance (NZ3Ct)

Introduction

5.6.1 The purpose of this condition is to calculate the term NZ3Ct (the net zero carbon Capital Construction term). This contributes to the calculation of ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

5.6.2 The effect of this condition is to:

- a) specify the associated allowance for net zero carbon Capital Construction;
- b) require the licensee to submit a net zero carbon Capital Construction evaluation report at the end of the Price Control Period; and
- c) provide for a Use It Or Lose It Adjustment

5.6.3 This condition also explains the process the Authority will follow when assessing the net zero carbon Capital Construction evaluation report.

Part A: Formula for calculating the net zero carbon Capital Construction Price Control Deliverable term (NZ3Ct)

5.6.4 The value of NZ3Ct is derived in accordance with the following formula:

$$NZ3Ct = NZ3CA_t - NZ3CR_t$$

where:

- NZ3CA_t means the sum of allowances in Appendix 1; and
- NZ3CR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Requirement to submit a net zero carbon Capital Construction evaluation report

5.6.5 The licensee must submit to the Authority a net zero carbon Capital Construction evaluation report by 31 July 2026.

5.6.6 The report must include:

- a) a list and description of the projects undertaken by the licensee to offset carbon emissions created by Capital Construction;
- b) the cost of each project;
- c) evidence that the costs were efficiently incurred; and
- d) the emissions each project has or will offset in terms of T/CO₂e.

Part C: Assessment of the net zero carbon Capital Construction evaluation report

5.6.7 The Authority will direct an amendment to the value of NZ3CRt where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

5.6.8 Before making a direction under paragraph 5.6.7, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

5.6.9 The direction will set out the value of the NZ3CRt term and the Regulatory Years to which that adjustment relates.

Appendix 1 Net zero carbon Capital Construction allowance (£m, 2018/19 prices)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
NZ3CA _t	-	-	-	-	2.50	2.5

Special Condition 5.7: Not Used

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to Users.

Part A: Formula for calculating the allowed pass-through term (PT_t)

- 6.1.3 The value of the PT_t term is derived in accordance with the following formula:

$$PT_t = RB_t + EDE_t + TPD_t$$

where:

- RB_t means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- EDE_t means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year, as further explained and elaborated upon in the ET2 Price Control Financial Handbook; and
- TPD_t means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the System Operator as part of its balancing services activity in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC.

Part B: Review of Prescribed Rates pass-through term (RB_t)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- engage with the Relevant Valuation Agency; and
 - use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB_t by direction.

Special Condition 6.2: Not Used

Chapter 7: Legacy adjustments

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

7.1.1 The purpose of this condition is to calculate the term LAR_t (the legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating total legacy adjustments (LAR_t)

7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + LSSO_t + LEDR_t + LSFI_t + LRI_t$$

where:

LPT_t is derived in accordance with Special Condition 7.2 (Legacy pass-through items);

LMOD_t has the value in sheet "NGET" of the ET2 Price Control Financial Model unless the Authority directs otherwise in accordance with Special Condition 7.3 (Legacy MOD);

LK_t is derived in accordance with Special Condition 7.4 (Legacy K correction);

LTRU_t is derived in accordance with Special Condition 7.5 (Legacy TRU term);

LSSO_t is derived in accordance with Special Condition 7.6 (Close out of the RIIO-ET1 stakeholder satisfaction output);

LEDR_t is derived in accordance with Special Condition 7.7 (Close out of the RIIO-1 adjustment in respect of the Environmental Discretionary Reward Scheme);

LSFI_t is derived in accordance with Special Condition 7.8 (Close out of the RIIO-ET1 incentive in respect of the sulphur hexafluoride (SF6) gas emissions incentive);

LRI_t is derived in accordance with Special Condition 7.9 (Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied); and

NOCO_t is derived in accordance with Special Condition 7.10 (Close out of RIIO-1 Network Outputs).

Special Condition 7.2 Legacy pass-through items (LPT_t)

Introduction

- 7.2.1 The purpose of this condition is to calculate the LPT_t term (the RIIO-ET1 pass-through items close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to close out certain RIIO-ET1 allowed pass-through terms, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the specified pass-through costs adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 pass-through items (LPT_t)

- 7.2.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT_t is derived in accordance with the following formula:

$$LPT_t = LRB_t + LTPD_t + LITC_t + LLF_t$$

where

- LRB_t* has the value of RB_t as determined in accordance with Part B of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021;
- LTPD_t* has the value of TPD_t as determined in accordance with Part D of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021;
- LITC_t* has the value of the ITC_t as determined in accordance with Part E of Special Condition 3B (Calculation of allowed pass through items) of this licence as in force on 31 March 2021; and
- LLF_t* Has the value of the LF_t as determined in accordance with Part C of Special Condition 3B (Calculation of allowed pass through items) of this licence as in force on 31 March 2021.

- 7.2.4 For Regulatory Years commencing on or after 1 April 2023, the value of LPT_t is zero.

Special Condition 7.3 Legacy MOD (L_{MODt})

Introduction

7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term L_{MODt} (the legacy MOD term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.3.2 The effect of this condition is to reflect the close out of the ET1 Price Control Financial Model.

Part A: Authority Assessment and direction

7.3.3 The value of L_{MODt}, is derived in accordance with the following formula:

$$L_{MOD_t} = MOD_t \cdot RPIF_t$$

where:

MOD_t has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the ET1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the ET2 Price Control Financial Handbook; and

RPIF_t has the value of RPIF_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

7.3.4 Before making a direction under paragraph 7.3.3 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.4 Legacy K correction (LK_t)

Introduction

- 7.4.1 The purpose of this condition is to calculate the term LK_t (the legacy K correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.4.2 The effect of this condition is to close out the RIIO-ET1 correction term such that revenue in the Regulatory Years commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the legacy correction term (LK_t)

- 7.4.3 For the Regulatory Year commencing on 1 April 2021, the value of LK is derived in accordance with the following formula:

$$LK_t = -K_t$$

where:

K_t has the value of K as determined in accordance with Part E of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

- 7.4.4 The value of LK_t for Regulatory Years commencing on or after 1 April 2022 is zero.

Special Condition 7.5 Legacy TRU Term (LTRU_t)

Introduction

- 7.5.1 The purpose of this condition is to calculate the term LTRU_t (the legacy TRU term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.5.2 The effect of this condition is to close out the RIIO-ET1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects TRU adjustments relating to inflation forecasts used in the Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

Part A: Formula for calculating the legacy TRU term (LTRU_t)

- 7.5.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2024, the value of LTRU_t is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

where

- TRU_t* is equivalent to TRU_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021; and
- RPIF_t* has the value of RPIF_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

- 7.5.4 The value of LTRU_t for Regulatory Years commencing on or after 1 April 2025 is zero.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO_t)

Introduction

- 7.6.1 The purpose of this condition is to calculate the LSSO_t term (the RIIO-ET1 stakeholder satisfaction output close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.6.2 The effect of this condition is to close out the RIIO-ET1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.6.3 This condition also sets out the process the Authority will follow when amending the Stakeholder Engagement Reward Guidance.

Part A: Formula for calculating the RIIO-ET1 stakeholder satisfaction output close out term (LSSO_t)

- 7.6.4 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LSSO_t is equal to the value of SSO_t calculated in accordance with Part A of Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
- 7.6.5 For Regulatory Years commencing on or after 1 April 2023, the value of LSSO_t is zero.

Part B: Amendment to the Stakeholder Engagement Reward Guidance

- 7.6.6 The Authority will amend the Stakeholder Engagement Reward Guidance by direction.
- 7.6.7 Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:
- a) the text of the amended Stakeholder Engagement Reward Guidance;
 - b) the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;
 - c) the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and
 - d) a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.

Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDR_t)

Introduction

- 7.7.1 The purpose of this condition is to calculate the term LEDR_t (the Environmental Discretionary Reward Scheme close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.7.2 The effect of the condition is to close out the RIIO-ET1 Environmental Discretionary Reward Scheme, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.7.3 This condition also sets out the process the Authority will follow when amending the Environmental Discretionary Reward Scheme Guidance.

Part A: Formula for calculating the Environmental Discretionary Reward Scheme close out term (LEDR_t)

- 7.7.4 The licensee may apply to the Authority for a direction adjusting the value of the LEDR_t term for Regulatory Year 2021/22 in accordance with the Environmental Discretionary Reward Scheme Guidance.
- 7.7.5 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LEDR_t is calculated in accordance with Part B of Special Condition 3F (Adjustment in Respect of the Environmental Discretionary Reward Scheme) of this licence as in force on 31 March 2021.
- 7.7.6 For Regulatory Years commencing on or after 1 April 2023, the value of LEDR_t is zero.

Part B: Amendments to the Environmental Discretionary Reward Scheme Guidance

- 7.7.7 The Authority will amend the Environmental Discretionary Reward Scheme Guidance by direction.
- 7.7.8 Before amending the Environmental Discretionary Reward Scheme Guidance by direction, the Authority will publish on the Authority's website:
- a) the text of the amended Environmental Discretionary Reward Scheme Guidance;

- b) the date on which the Authority intends the amended Environmental Discretionary Reward Scheme Guidance to come into effect;
- c) the reasons for the amendments to the Environmental Discretionary Reward Scheme Guidance; and
- d) a period during which representations may be made on the amendments to the Environmental Discretionary Reward Scheme Guidance, which will not be less than 28 days.

Special Condition 7.8 Close out of RIIO-ET1 incentive in respect of sulphur hexafluoride (SF6) gas emissions incentive (LSFI_t)

Introduction

- 7.8.1 The purpose of this condition is to calculate the term LSFI_t (the RIIO-ET1 sulphur hexafluoride incentive close-out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.8.2 The effect of this condition is to close out the RIIO-ET1 incentive in respect of sulphur hexafluoride gas emissions, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 sulphur hexafluoride incentive close-out term (LSFI_t)

- 7.8.3 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LSFI_t is equal to the value of SFI_t calculated in accordance with Part A of Special Condition 3E (Incentive in Respect of Sulphur Hexafluoride (SF6) Gas Emissions) of this licence as in force on 31 March 2021.
- 7.8.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LSFI_t is zero.

Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI_t)

Introduction

- 7.9.1 The purpose of this condition is to calculate the term LRI_t (the RIIO-ET1 reliability incentive close-out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.9.2 The effect of this condition is to close out the RIIO-ET1 reliability incentive in respect of energy not supplied, such that revenue in the Regulatory Years commencing on 1 April 2021 and on 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 reliability incentive close-out term (LRI_t)

- 7.9.3 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LRI_t is equal to the value of RI_t calculated in accordance with Part A of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) of this licence as in force on 31 March 2021.
- 7.9.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LRI_t is zero.

Special Condition 7.10 Close out of RIIO-1 Network Outputs (NOCO_t)

Introduction

- 7.10.1 The purpose of this condition is to set out the process for deciding the term $NOCO_t$ (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.10.2 The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

Part A: RIIO-1 Network Outputs information to be provided by the licensee

- 7.10.3 By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- a) any RIIO-1 Network Output in accordance with the relevant specifications; and
 - b) any RIIO-1 Materially Equivalent Outputs.
- 7.10.4 By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- a) any RIIO-1 Justified Material Over-delivery; or
 - b) any RIIO-1 Justified Material Under-delivery.

Part B: Process for modifying the NOMs Incentive Methodology

- 7.10.5 The Authority will modify the NOMs Incentive Methodology by direction.
- 7.10.6 Before making a direction under paragraph 7.10.5, the Authority will publish on the Authority's Website:
- a) the text of the proposed direction;
 - b) the reasons for the proposed direction; and
 - c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

Part C: Process for directing the RIIO-1 Network Outputs close out term (NOCO_t)

7.10.7 The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.

7.10.8 Before directing the value of $NOCO_t$, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons why it proposes to issue the direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 56 days.

Appendix 1 Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

Incentives	Justified	Unjustified
Over-delivery	<p>Cost of over-delivery will be included in the licensee's revenue.</p> <p>The financing cost incurred by the licensee in advancing investment will be reimbursed.</p> <p>Reward of 2.5 per cent of the additional costs associated with the material over-delivery.</p>	<p>Cost of over-delivery will be included in the licensee's revenue.</p> <p>The licensee will incur the financing cost of earlier investment.</p>
Under-delivery	<p>Cost of under-delivery will be excluded from the licensee's revenue.</p> <p>The licensee will benefit from the financing cost of delayed investment.</p>	<p>Cost of under-delivery will be excluded from the licensee's revenue.</p> <p>The benefit arising to the licensee from the financing cost of delayed investment will be clawed back.</p> <p>Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery.</p>

Special Condition 7.11 RIIO-ET1 network innovation competition

Introduction

7.11.1 The NIC ran during the RIIO-ET1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements relating to the regulation, administration and governance of NIC Funding.

7.11.2 Parts A and D are supplemented by the relevant provisions of the NIC Governance Document.

Part A: The Funding Return Mechanism

7.11.3 The Authority may direct how Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

7.11.4 In each Regulatory Year, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:

- a) the amount of any Funding Return that the licensee must pay to the System Operator; and
- b) the manner in which and the timescale over which the licensee must pay that amount.

Part A: The NIC Governance Document

7.11.5 The licensee must comply with the NIC Governance Document.

7.11.6 The Authority will amend the NIC Governance Document by direction.

7.11.7 The Authority will publish the NIC Governance Document on the Authority's Website.

7.11.8 The NIC Governance Document makes and will continue to make provision about:

- a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);
- b) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of Distribution Licences;
- c) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);

- d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- e) any other matters relating to the governance of the NIC.

Part C: Procedure for amending the NIC Governance Document

7.11.9 Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended NIC Governance Document;
- b) the date on which the Authority intends the amended NIC Governance Document to come into effect;
- c) the reasons for the amendments to the NIC Governance Document; and
- d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

Part D: Successful Delivery Reward

7.11.10 The Authority may direct that the System Operator pay the licensee a Successful Delivery Reward, in accordance with the provisions of the NIC Governance Document.

Special Condition 7.12 Legacy net RAV additions (LRAV_t)

Part A: Introduction

7.12.2 This condition explains the process the Authority will follow when directing values for the term LRAV_t (the legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term DPN_t (the depreciation term as calculated by the ET2 Price Control Financial Model), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue restriction).

7.12.3 The effect is to reflect the close out of the RIIO-ET1 Price Control Financial Model, in respect of legacy net RAV additions.

Part B: Authority assessment and direction

7.12.4 The Authority will direct revisions to LRAV_t, coinciding with the Annual Iteration Process.

7.12.5 Before making a direction under paragraph 7.12.3 the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Chapter 8: Governance

Special Condition 8.1 Governance of the ET2 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- a) the ET2 Price Control Financial Instruments; and
- b) a robust and transparent change control framework for the ET2 Price Control Financial Instruments:

Part A: The ET2 Price Control Financial Instruments

8.1.2 Each of the following ET2 Price Control Financial Instruments forms part of this condition:

- a) the ET2 Price Control Financial Handbook; and
- b) the ET2 Price Control Financial Model.

Part B: Assessment of the likely impact of an intended modification

8.1.3 Before initiating any modification of an ET2 Price Control Financial Instrument, the Authority will assess whether that modification would be likely to have a significant impact on any of the following persons:

- a) the licensee;
- b) any other Transmission Licensee in whose licence a condition equivalent to this one has effect;
- c) any person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
- d) energy consumers (whether considered individually, as a whole, or by reference to any class or category of them) in Great Britain.

8.1.4 In making the assessment required by paragraph 8.1.3, the Authority will have regard to all relevant factors including:

- a) any impact which an intended modification would be likely to have on any component of the licensee's Allowed Revenue or on any value, rate, time period, or calculation used in the determination of Allowed Revenues; and
- b) in respect of modifications to the ET2 Price Control Financial Model, any views expressed by the ET2 Price Control Financial Model Working Group.

8.1.5 For the purposes of paragraph 8.1.3, it is to be presumed that a modification which serves to correct a manifest error contained in an ET2 Price Control Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.

Part C: Circumstances in which a modification may be made

8.1.6 If, having carried out the required assessment under Part B, the Authority considers that an intended modification of an ET2 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.3, it may modify that instrument by direction. Otherwise any modification will be made under section 11A of the Act.

8.1.7 Before making a direction under paragraph 8.1.6, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;
- b) the reasons for the proposed direction, including why the Authority believes that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.3; and
- c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

8.1.8 A direction under paragraph 8.1.6 will set out:

- a) the modifications to the ET2 Price Control Finance Instruments; and
- b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part D: Availability and updating of ET2 Price Control Financial Instruments

8.1.9 This Part has effect in relation to the publication and availability of the ET2 Price Control Financial Handbook, and the ET2 Price Control Financial Model.

8.1.10 The Authority will ensure that any modifications of the ET2 Price Control Financial Handbook, whether under Part C or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Handbook maintained on the Authority's Website.

8.1.11 The Authority will ensure that any modifications of the ET2 Price Control Financial Model, whether under Part C or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Model maintained on the Authority's Website.

8.1.12 Without limiting the general effect of paragraph 8.1.11, the Authority will, by no later than 30 November prior to each Regulatory Year:

- a) publish on the Authority's Website, in Microsoft Excel ® format, the version of the ET2 Price Control Financial Model that will be used to calculate and publish the value of the terms $ADJR_t$ and AR_t in accordance with the calculation set out in Part B of Special Condition 2.1 (Revenue restriction);
- b) ensure that the electronic name of the file is "ET2 PCFM" followed by "November 20XX" where 20XX represents the calendar year containing the month of November prior to the Regulatory Year;
- c) ensure that the words "ET2 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November" followed by the preceding Regulatory Year expressed in the format 20XX/XX are included as text within the file itself; and
- d) publish an up-to-date schedule of any modifications that have been made to the ET2 Price Control Financial Model, whether under Part C or otherwise, up to and including the date of such publication.

8.1.13 The first Regulatory Year in which the Authority will publish a version of the ET2 Price Control Financial Model on the Authority's Website for the purposes of paragraph 8.1.12 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.

Special Condition 8.2 Annual Iteration Process for the ET2 Price Control Financial Model

Introduction

- 8.2.1 The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the ET2 Price Control Financial Model, in order to calculate and publish the value of the terms $ADJR_t$ and AR_t in accordance with Special Condition 2.1 (Revenue restriction).
- 8.2.2 This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

Part A: Steps comprising the Annual Iteration Process

- 8.2.3 The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.
- 8.2.4 Step 1: The licensee must, by 31 August 2021 and by 31 July prior to each Regulatory Year, thereafter:
- a) use the version of the ET2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.12 to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;
 - b) run the macro on the “UserInterface” sheet of the ET2 Price Control Financial Model to calculate the value of the terms $ADJR_t$ and AR_t ;
 - c) save the ET2 Price Control Financial Model; and
 - d) submit the ET2 Price Control Financial Model to the Authority.
- 8.2.5 Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:
- a) review the ET2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
 - b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.
- 8.2.6 Step 3: The Authority will run the macro on the “UserInterface” sheet of the ET2 Price Control Financial Model to calculate the value of the terms $ADJR_t$ and AR_t .
- 8.2.7 Step 4: The Authority will publish the value of the terms $ADJR_t$ and AR_t on the Authority's Website in accordance with Part B.
- 8.2.8 In relation to Step 1 in paragraph 8.2.4:

- a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the ET2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
- b) where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

Part B: Publication of the value of the terms $ADJR_t$ and AR_t

8.2.9 The value of the terms $ADJR_t$ and AR_t will be published by the Authority no later than 30 November prior to each Regulatory Year and must be used by the licensee when setting Network Charges in accordance with Special Condition 2.1 (Revenue Restriction).

8.2.10 The Authority may re-publish the value of the terms $ADJR_t$ and AR_t , by the end of January prior to the Regulatory Year t .

8.2.11 Before publishing or re-publishing the value of the terms $ADJR_t$ and AR_t , the Authority will:

- a) send to the licensee:
- b) a notice stating the value for the terms $ADJR_t$ and AR_t that it proposes to publish; and
- c) a copy of the ET2 Price Control Financial Model, which will contain the data used to calculate the value proposed for the terms $ADJR_t$ and AR_t ; and
- d) specify a period during which representations may be made on the value of the terms $ADJR_t$ and AR_t , which will not be less than 14 days.

Part C: What if the Annual Iteration Process is not completed by 30 November?

8.2.12 If the Authority does not publish a value for the terms $ADJR_t$ and AR_t by 30 November prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.13 and 8.2.14 will apply.

8.2.13 The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 30 November by publishing a value for the terms $ADJR_t$ and AR_t .

8.2.14 In the intervening period (Between the 30 November and the date on which the value of AR_t is published under paragraph 8.2.13), the value of the terms $ADJR_t$ and AR_t will be held to be equal to a value ascertained by:

- a) taking a copy of the ET2 Price Control Financial Model in its state following the last completed Annual Iteration Process or re-publication which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.6 of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process);
- b) using the selection facilities on the "UserInterface" sheet contained in that copy of the ET2 Price Control Financial Model to select:
- c) the name of the licensee; and
- d) the Regulatory Year equating to the Regulatory Year t ;
- e) pressing the "Run for One" macro button on the "UserInterface" sheet; and
- f) recording the value of the terms $ADJR_t$ and AR_t for the licensee that is shown as an output value in the "SavedResults" sheet.

Part D: The final year of the ET2 Annual Iteration Process and other clarifications

8.2.15 The last Regulatory Year in which there will be an Annual Iteration Process for the ET2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms $ADJR_t$ and AR_t for Regulatory Year 2025/26.

8.2.16 For the avoidance of doubt, neither:

- a) an Annual Iteration Process for the ET2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor
- b) a change to the Regulatory Year included in the name of and text within the ET2 Price Control Financial Model (as referred to at paragraphs 8.1.12 (b) and (c)) of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments),
- c) will constitute a modification of the ET2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1.

8.2.17 Where any PCFM Variable Values are revised for years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the value of the term $ADJR_t$ for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the term $ADJR_t$.

Part E: The PCFM Guidance

8.2.18 The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.

8.2.19 The Authority will issue and amend the PCFM Guidance by direction.

8.2.20 The Authority will publish the PCFM Guidance on the Authority's Website by the PCFM functional change cut-off date set out in the ET2 Price Control Financial Handbook.

8.2.21 The PCFM Guidance will make provision about:

- a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;
- b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and
- c) any requirements for supporting information, documentation or commentary that are to be submitted.

8.2.22 Before issuing the PCFM Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed PCFM Guidance;
- b) the date on which the Authority intends the PCFM Guidance to come into effect; and
- c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.

8.2.23 Before directing an amendment to the PCFM Guidance, the Authority will publish on the Authority's Website:

- a) the text of the amended PCFM Guidance;
- b) the date on which the Authority intends the amended PCFM Guidance to come into effect;
- c) the reasons for the amendments to the PCFM Guidance; and
- d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days

Chapter 9: General obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process the Authority will follow in issuing and amending the Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.

Part B: Environmental Reporting Guidance

- 9.1.7 The Authority will issue and amend Environmental Reporting Guidance by direction.
- 9.1.8 The Authority will publish Environmental Reporting Guidance on the Authority's Website.
- 9.1.9 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
- a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
 - b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and

- c) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.

9.1.10 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed Environmental Reporting Guidance;
- b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
- c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.

9.1.11 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended Environmental Reporting Guidance;
- b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months or the commencement of the next Regulatory Year, whichever is later;
- c) the reasons for the amendments to the Environmental Reporting Guidance;
- d) how the proposed reporting requirements provide an appropriate balance between the costs of reporting and benefit of the information created; and
- e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.

9.2.2 It also sets out the process for modifying the NARM Methodology.

Part A: Requirement to have a NARM Methodology

9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.

9.2.4 The NOMs Methodology in effect on 31 March 2021 is deemed to be the NARM Methodology in effect from 1 April 2021 until superseded.

Part B: The NARM Objectives

9.2.5 The NARM Objectives are:

- (a) to provide transparent, logical links between:
 - a. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
 - b. the data that the licensee inputs into its Asset Management Systems;
 - c. the licensee's asset management decisions; and
 - d. where relevant, the licensee's whole system investment decisions;
- (b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Outputs delivery;
- (c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk for:
 - a. each NARM Asset Category;
 - b. individual NARM Assets within each NARM Asset Category; and
 - c. the licensee's Transmission System;
- (d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- (e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
 - a. the licensee's investment plans for managing and renewing its NARM Assets; and

- b. the licensee's outturn delivery of investment options;
- (f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (g) to enable the comparative analysis of Monetised Risk between:
 - a. different NARM Asset Categories and between individual NARM Assets on the licensee's Transmission System;
 - b. geographic areas of, and NARM Assets within, the licensee's Transmission System;
 - c. the licensee's Transmission System and other networks within the same sector;
 - d. the licensee's Transmission System and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
 - e. the Transmission Systems and Distribution Systems within Great Britain; and
- (h) to enable the communication to the Authority and other interested parties of relevant information about the licensee's Transmission System in an accessible and transparent manner.

Part C: Modification of the NARM Methodology

- 9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
- 9.2.7 Where the licensee has identified scope for modifications that better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.8 Where the licensee proposes a modification to the NARM Methodology, it must:
- (a) consult other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification;
 - (b) submit to the Authority a report containing:
 - a. a statement explaining the proposed modification to the NARM Methodology; and

- b. an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
- (c) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
- (d) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
- (e) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) above and not withdrawn;
- (f) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
- (g) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
- (h) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
- (i) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.

9.2.9 The Authority will by direction:

- a) approve the proposed modification;
- b) approve the proposed modification with amendments; or
- c) reject the proposed modification.

9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).

9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.

9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:

- a) the text of the proposed direction;

- b) the date on which the Authority intends the proposed direction to come into effect;
- c) the reasons why it proposes to issue the direction; and
- d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.3 Price Control Deliverable Reporting Requirements and Methodology Document

Introduction

- 9.3.1 The purpose of this condition is to require the licensee to report to the Authority on the delivery of its Evaluative PCDs.
- 9.3.2 This condition also provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document, which:
- a) the licensee needs to comply with when preparing its reports; and
 - b) sets out the methodology the Authority will use to assess the delivery of Price Control Deliverables.

Part A: Reporting requirement

- 9.3.3 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.
- 9.3.4 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.

Part B: PCD Reporting Requirements and Methodology Document

- 9.3.5 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part A.
- 9.3.6 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.3.7 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.3.8 The PCD Reporting Requirements and Methodology Document will set out:
- a) how the licensee must prepare the reports required by Part A;
 - b) the methodology the Authority will use when deciding:
 - c) whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - d) the value to direct.
- 9.3.9 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed PCD Reporting Requirements and Methodology Document;
- b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
- c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

9.3.10 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended PCD Reporting Requirements and Methodology Document;
- b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
- c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
- d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

- 9.4.1 This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.4.3 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

- 9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
- 9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
- 9.4.6 The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:
- a) the Re-openers to which the document applies;
 - b) the level of detail required in the application;
 - c) any requirement to publish the application;
 - d) when it is appropriate to make redactions in published applications; and
 - e) any requirement for assurance.
- 9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- a) the text of the proposed Re-opener Guidance and Application Requirements Document;
 - b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
 - c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

9.4.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended Re-opener Guidance and Application Requirements Document;
- b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
- c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
- d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

Special Condition 9.5 Digitalisation

Introduction

9.5.1 The purpose of this condition is to set out the licensee's obligations to:

- a) have a Digitalisation Strategy;
- b) have a Digitalisation Action Plan;
- c) update its Digitalisation Strategy and its Digitalisation Action Plan;
- d) comply DSAP Guidance; and
- e) comply with Data Best Practice Guidance.

9.5.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

9.5.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.

9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy at intervals specified in the DSAP Guidance.

9.5.5 The licensee must:

- a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
- b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
- c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.

9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at intervals specified in the DSAP Guidance.

9.5.8 The licensee must:

- a) publish its Digitalisation Action Plan, and each update to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
- b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
- c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance.

9.5.9 The licensee must comply with the DSAP Guidance when:

- a) preparing and updating its Digitalisation Strategy; and
- b) preparing and updating its Digitalisation Action Plan.

9.5.10 The Authority will issue and amend the DSAP Guidance by direction.

9.5.11 The Authority will publish the DSAP Guidance on the Authority's Website.

9.5.12 The DSAP Guidance will make provision about:

- a) how the licensee should work towards digitalisation;
- b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
- c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
 - d) the structure, content and level of detail of each;
 - e) the types of activities that should be covered in each;
 - f) any required information associated with those activities; and
 - g) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.

9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.

9.5.15 The Authority will publish Data Best Practice Guidance on the Authority's Website.

9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the proposed guidance;
- b) the date on which the Authority intends the guidance to come into effect; and
- c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.

9.5.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

- a) the text of the amended guidance;
- b) the date on which the Authority intends the amended guidance to come into effect;
- c) the reasons for the amendments to the guidance; and
- d) a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

Special Condition 9.6 Disapplication of Relevant Special Conditions

Part A: Introduction

9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant Special Conditions (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part B: Procedure for making a Disapplication Request

9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.

9.6.3 A Disapplication Request must:

- a) specify to which of the Relevant Special Conditions (or any part or parts of them) the request relates;
- b) provide a full statement of the licensee's reasons for making the request;
- c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
- d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).

9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.

9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:

- a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
- b) requesting the licensee to provide that information or analysis.

9.6.6 The licensee may withdraw a Disapplication Request at any time.

Part C: Date from which a disapplication may take effect

9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.

9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part D: Licensee's right to terminate under a Disapplication Request

9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

- a) in the circumstance described in Part D; or
- b) in the circumstance described in Part E.

9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part E: Termination without involvement of the Competition and Markets Authority

9.6.11 The circumstance referred to in paragraph 9.6.9(a) is that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Act to modify:

- a) the Relevant Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
- b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part F: Termination after involvement of the Competition and Markets Authority

9.6.12 The circumstance referred to in paragraph 9.6.9(b) is that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:

- a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
- b) the Competition and Markets Authority, acting under section 11F of the Act, has, in respect of the provision to which the Disapplication Notice relates:
- c) quashed the Authority's decision, and
- d) neither remitted the matter back to the Authority under section 11F(2)(b) of the Act nor substituted its own decision for that of the Authority's under section 11F(2)(c) of the Act; and
- e) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
- 9.7.5 Directly Remunerated Services are:
- a) services that comply with the general principle set out in Part B; or
 - b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- a) Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction); and
 - b) charges arising from any activity carried out under the provisions of Special Condition 7.11 (RIIO-ET1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Services

9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.

9.7.10 Directly Remunerated Services will include the following services:

- a) DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).
- b) DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.
- c) DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
- d) DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transmission System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.
- e) DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change as reimbursed by the System Operator.
- f) DRS6. Emergency Services: (Not applicable to Electricity Transmission)
- g) DRS7. PARCA Activities: (Not applicable to Electricity Transmission)
- h) DRS8. Independent System Operation: (Not applicable to Electricity Transmission)
- i) DRS9. Network Innovation Funding: Payments made by the System Operator to the licensee in respect of NIC funding in accordance with Special Condition 7.11 (RIIO-ET1 network innovation competition).

- j) DRS10. Value Added Services: (Not applicable to Electricity Transmission)
- k) DRS11. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission)
- l) DRS12. Revenue protection services: (Not applicable to Electricity Transmission)
- m) DRS13. Metering Services: (Not applicable to Electricity Transmission)
- n) DRS14. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission)
- o) DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:
 - p) is for the specific benefit of any third party who requests it; and
 - q) is not made available by the licensee as a normal part of the activities of its Transmission Business Activities.

Part D: Procedure for issuing directions

9.7.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.

9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

Special Condition 9.8 Tax Reconciliation assurance statement

Introduction

9.8.1 This condition requires the licensee to send to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

Part A: Assurance Statement

9.8.2 The licensee must by 31 July of each Regulatory Year starting from 01 April 2023, send to the Authority an assurance statement, relating to Regulatory Year t-2 that:

- a) has been approved by resolution of the licensee's board of directors;
- b) is signed by a director of the licensee pursuant to the resolution in sub-paragraph (a); and,
- c) is set out in the form prescribed in paragraph 9.8.3 or where paragraph 9.8.4 applies in the form prescribed in paragraph 9.8.5.

9.8.3 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:

- a) the adjusted notional tax allowance as shown in the Tax Reconciliation template represents a fair interpretation of the licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
- b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
- c) the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
- d) the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
- e) the licensee's published Tax Strategy;
- f) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
- g) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- h) reconciling differences have been appropriately explained and any remaining, unexplained difference is considered immaterial, in aggregate.

9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ET2 Price Control Financial Handbook, the prescribed form for the assurance statement is set out in paragraph 9.8.5.

9.8.5 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:

- a) the adjusted notional tax allowance as shown in the Tax Reconciliation template does not represent a fair interpretation of the licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
- b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
- c) the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
- d) the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
- e) the licensee's published Tax Strategy;
- f) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
- g) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- h) a notification has been given in writing to the Authority under Chapter 6 of the ET2 Price Control Financial Handbook."

Special Condition 9.9 Activities Restrictions

Introduction

9.9.1 The purpose of this condition is to set out, in accordance with section 7(2A)(a) of the Act, activity restrictions on the licensee.

Part A: Activity Restrictions

9.9.2 Subject to the provisions of paragraph 9.8.3 (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.

9.9.3 The licensee must not, outside its Transmission Area, obtain or obtain access to any assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying electricity except:

- a) from another Transmission Licensee; or
- b) where the Authority has issued a direction to the licensee pursuant to paragraph 2 of Standard Condition B18 (Offshore Transmission Owner of Last Resort) insofar as it relates to the transmission system specified in that direction.

Special Condition 9.10 Network Access Policy

Introduction

9.10.1 This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective liaison between the System Operator and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers and network Users.

Part A: Network Access Policy

9.10.2 The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.

9.10.3 The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.

9.10.4 The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.

9.10.5 The Network Access Policy must include:

- a) details of the actions that the licensee will take to coordinate with the System Operator and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network Users;
- b) details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
- c) details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.10.5(a) and (b); and
- d) a description of the licensee's communication and coordination strategy for interacting with the System Operator, other Transmission Owners, and Users.

Part B: Revisions to the Network Access Policy

9.10.6 The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review the Network Access Policy and propose such revisions as may be necessary in order to ensure that the

information contained in the policy continues to be accurate and consistent with this condition.

9.10.7 Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the System Operator and, if appropriate, to any other relevant Transmission Licensees:

- a) a copy of the proposed revisions;
- b) an explanation of the reasons for the proposed revisions; and
- c) such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.

9.10.8 The Authority will:

- a) approve the proposed revisions;
- b) reject the proposed revisions; or
- c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.10.9 Before taking any action under paragraph 9.10.8, the Authority will consult the Transmission Owners, the System Operator and such other interested parties as it considers appropriate.

Part C: Availability of the Network Access Policy

9.10.10 The licensee must ensure that the Network Access Policy is readily accessible to the public from the licensee's website.

9.10.11 If the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.10.10 is updated during the period of ten Working Days beginning with the date of the approval.

Special Condition 9.11 Provision of information to the System Operator

Introduction

9.11.1 The purpose of this condition is to require the licensee to notify the System Operator of the revenue to be collected via Network Charges.

Part A: Statement of the TSP_t value

9.11.2 On or before 1 November of the Regulatory Year $t-1$, the licensee must notify the System Operator of its best estimate for the TSP_t term.

9.11.3 TSP_t means an amount no more than AR_t as calculated in accordance with Special Condition 2.1 (Revenue restriction).

9.11.4 The licensee must keep under review the estimates notified to the System Operator pursuant to paragraph 9.11.2 and, if at any time, the licensee reasonably considers that the value of TSP_t , notified to the System Operator will be significantly different to the estimates previously notified to the System Operator, the licensee must notify the System Operator of the updated value for TSP_t as soon as reasonably practicable.

9.11.5 By 30 April of each Regulatory Year t , the licensee must provide the Authority with a statement showing the following:

- a) the value of TSP_t notified to the System Operator in the Regulatory Year $t-1$;
- b) the aggregate amount of the licensee's connection charges in Regulatory Year $t-1$ which are not remunerated under Special Condition 2.1 (Revenue restriction);
and
- c) the aggregate amount of the licensee's charges in Regulatory Year $t-1$ in respect of Outage Charges.

Special Condition 9.12 Basis of Transmission Owner Charges

Introduction

9.12.1 The purpose of this condition is to require the licensee to prepare and have in place a Statement of Transmission Owner Charges.

Part A: Statement of Transmission Owner Charges

9.12.2 The licensee must have in place a Statement of Transmission Owner Charges approved by the Authority.

9.12.3 The Statement of Transmission Owner Charges must include:

- a) a schedule listing:
- b) items of significant cost required for connection (at entry or exit points) to the licensee's Transmission System,
- c) items for which site specific charges may be made or levied, and
- d) indicative charges or, where not practicable, an explanation of the methods by which and the principles in accordance with which the charges will be calculated;
- e) the methods by which and the principles in accordance with which:
- f) site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;
- g) any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's Transmission System; and
- h) any charges will be made for disconnection from the licensee's Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and
- i) such other matters as are specified in directions issued by the Authority from time to time for the purpose of this condition.

9.12.4 The licensee must set site specific charges for those items referred to in paragraph 9.12.3 at a level that will enable the licensee to recover:

- a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee's Transmission System or the provision and installation, maintenance, replacement and repair or

(as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and

b) a reasonable rate of return on the capital represented by such costs.

Part B: Revisions to the Statement of Transmission Owner Charges

9.12.5 The licensee must at least once in every Regulatory Year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.

9.12.6 The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.

9.12.7 Before revising the Statement of Transmission Owner Charges, under paragraph 9.12.5, the licensee must provide a copy of the proposed revisions to the Authority.

9.12.8 The Authority will:

- a) approve the proposed revisions;
- b) reject the proposed revisions; or
- c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.12.9 The licensee must give or send a copy of the Statement of Transmission Owner Charges, including any revision in such form and manner as the Authority may direct, to any person who requests a copy of such statement or statements.

9.12.10 The licensee may make a charge for any statement given or sent pursuant to paragraph 9.12.9 of an amount reflecting the licensee's reasonable costs of providing the statement, which must not exceed the maximum amount specified by the Authority by direction for the purposes of this condition.

Special Condition 9.13 Allowances in respect of a Security Period

Introduction

9.13.1 The purpose of this condition is to set out the process for the licensee to recover Allowed Security Costs in the event of a Security Period.

Part A: Process for the recovery of Security Costs

9.13.2 At any time during a Security Period, the licensee may give notice in writing to the Authority suspending, with effect from the date the notice is received by the Authority, application of the Relevant special conditions specified in the notice, for the remaining duration of the Security Period.

9.13.3 At any time during a Security Period, the Authority may by direction, enable the licensee to recover by means of an appropriate equitable increase on all of the charges made in the course of the licensee's Transmission Business an amount estimated as being equal to the licensee's Allowed Security Costs during the Security Period.

9.13.4 The direction will set out for the remaining duration of the Security Period any:

- a) Relevant special conditions which are suspended or modified; or
- b) new special conditions.

9.13.5 Subject to paragraphs 9.13.6 and 9.13.8, the licensee may in any Regulatory Year recover an aggregate amount equal to its Allowed Security Costs in that year or (in so far as not previously recovered) in any previous year, by means of appropriate equitable increases on all of the charges made by the licensee in the course of the Transmission Business.

9.13.6 Paragraph 9.13.5 does not apply in so far as such Allowed Security Costs were:

- a) otherwise recovered by the licensee; or
- b) taken into account by the Authority in setting the special conditions by means of a direction issued under paragraph 9.13.3 of this condition.

9.13.7 Following the end of each Regulatory Year the licensee must provide the Authority with details in respect of that Regulatory Year of:

- a) the licensee's estimate of Allowed Security Costs;
- b) the aggregate amounts charged under paragraph 9.13.5 of this condition on account of the licensees Allowed Security Costs; and
- c) the basis and calculations underlying the increases in charges made by the licensee in the course of its Transmission Business.

9.13.8 Where the Authority is satisfied that the licensee has recovered amounts in excess of the Allowed Security Costs, the Authority may direct the licensee to take such steps as may be specified to reimburse its customers for excess amounts charged.

9.13.9 No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) will be taken into account for the purpose of applying the provisions of Special Condition 2.1 (Revenue restriction).

Special Condition 9.14: Not Used

Special Condition 9.15: Not Used

Special Condition 9.16: Not Used

Special Condition 9.17 Prohibited activities and conduct of the Transmission Business

Introduction

9.17.1 The purpose of this condition is to set out the prohibited activities of the licensee and conduct of the Transmission Business.

Part A: Prohibited Activities

9.17.2 Unless the Authority otherwise directs, the licensee, and any subsidiary of the licensee, must not hold, or seek to hold, a Transmission Licence that has Section C (System Operator Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions) in effect.

Part B: Conduct of the Transmission Business

9.17.3 The licensee, and the relevant parties listed in paragraph 9.17.5, must not obtain an Unfair Commercial Advantage.

9.17.4 The licensee must not disclose or otherwise make use of any System Operator Functions information that it may have received from NGENSO, by virtue of NGENSO disclosing such information to the licensee arising from a failure to abide by the provisions of Special Condition 2.6 (Prohibited activities and conduct of the Transmission Business) of NGENSO's Transmission Licence.

9.17.5 The relevant parties are:

- a) any Affiliate or Related Undertaking of the licensee that is a subsidiary of, or is controlled by an ultimate controller of, the licensee, including those:
- b) intending to participate in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted; or
- c) participating in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted;
- d) any User of the National Electricity Transmission System; and
- e) any other Transmission Licensee.

Special Condition 9.18 Business separation requirements and compliance obligations

Introduction

- 9.18.1 The purpose of this condition is to set out the business separation requirements between the licensee and the Relevant Other Competitive Businesses, and the process the licensee must follow to comply with these requirements.
- 9.18.2 Part A sets out the business separation requirements between the licensee and the Relevant Other Competitive Businesses.
- 9.18.3 Part B sets out the Compliance Statement the licensee must publish to describe how it is meeting its Specified Duties.
- 9.18.4 Part C sets out requirements on the licensee to appoint an independent compliance officer and annually report on compliance against the licensee's duties.

Part A: Legal and functional separation of the licensee and the Relevant Other Competitive Businesses

- 9.18.5 The licensee must, in carrying out its Licensed Activities, put in place and at all times maintain such systems of control and other governance arrangements as are necessary to ensure that the licensee complies with the obligations contained in Standard Condition B5 (Prohibition of cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.16 (Prohibited activities and conduct of the Transmission Business).
- 9.18.6 Without prejudice to paragraph 9.18.5 the licensee must at all times conduct its Licensed Activities separately from the Relevant Other Competitive Businesses, provided that nothing in Part A prevents the licensee from complying with any Section E (Offshore Transmission Owner of Last Resort) Direction made pursuant to Standard Condition B18 (Offshore Transmission Owner of Last Resort).
- 9.18.7 The licensee must ensure that the Relevant Other Competitive Businesses are conducted entirely by corporate entities each of which is separate from the licensee and that the licensee does not, directly or indirectly, hold any shares or other investments:
- a) in any corporate entity which conducts any of the Relevant Other Competitive Businesses or which exercises or otherwise has control of any of the Relevant Other Competitive Businesses or any of the assets used in or dedicated to any of the Relevant Other Competitive Businesses; or
 - b) which give the holder an entitlement to vote at the general meetings of any of the corporate entities which conduct the Relevant Other Competitive Businesses or of

any company which exercises or otherwise has control of any of the Relevant Other Competitive Businesses.

9.18.8 The licensee must ensure that its accounts are maintained and to the extent required by law audited and reported separately from those of any corporate entity which conducts Relevant Other Competitive Business.

9.18.9 The licensee must ensure that persons engaged in the management or operation of the licensee (up to and including the members of the licensee's board of directors) are not simultaneously engaged, either full or part time, in the management or operation of any Relevant Other Competitive Business or any corporate entity which conducts Relevant Other Competitive Business, other than in the provision of Shared Services provided by the licensee to its Associates and the provision of services which constitute De Minimis Business to the extent that the provision of those services by the licensee complies with the requirements of standard conditions B5 (Prohibition of cross-subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness).

9.18.10 The licensee must ensure that arrangements are in place which are effective in restricting access by persons engaged in the management or operation of any of the Relevant Other Competitive Businesses to:

- a) any part of any premises which is occupied by persons engaged in the management or operation of the licensee; or
- b) any equipment, facilities or property employed for the management or operation of the licensee.

9.18.11 The licensee must ensure that the systems for the recording, processing or storage of data to which persons engaged in the management or operation of the licensee have access cannot be accessed by persons engaged in the management or operation of the Relevant Other Competitive Businesses.

Part B: Compliance Statement and compliance documents

9.18.12 The licensee must:

- a) unless the Authority otherwise consents or directs, at all times comply with the terms of the approved Compliance Statement; and
- b) at least once every 12 months, or at such other interval as the Authority may direct, review the documents and revise them as necessary, including when circumstances change so that the documents no longer secure compliance with

the Specified Duties, to ensure that the documents continue to be complete and accurate in all material respects.

9.18.13 The licensee must submit any proposed revisions to the documents to the Authority.

9.18.14 Any revisions of the documents will only become effective once the Authority has approved them, in accordance with paragraph 9.18.15.

9.18.15 The Authority will:

- a) approve the proposed revisions;
- b) reject the proposed revisions; or
- c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.18.16 The licensee must publish a copy of the approved Compliance Statement and each revision of it on its website during the period of 15 Working Days beginning with the date of approval by the Authority.

9.18.17 The Compliance Statement must set out how the licensee will meet:

- a) the business separation requirements provided for in Part A, with specific reference to:
- b) the arrangements for managerial separation, as required in paragraph 9.18.9;
- c) the treatment of Shared Services across the licensee and the Relevant Other Competitive Businesses, together with a list of those services which fall under the definition of Shared Services;
- d) the arrangements to manage the transfer of employees between the licensee and the Relevant Other Competitive Businesses;
- e) the appointment of a compliance officer and compliance reporting, provided for in Part C.

Part C: Appointment of a Compliance Officer and compliance reporting

9.18.18 The licensee must ensure, following consultation with the Authority, that a Compliance Officer is appointed. The person appointed as the Compliance Officer pursuant to this paragraph may also hold other compliance officer roles for the licensee or its Associates licensed under the Gas Act 1986.

9.18.19 The licensee must appoint a Single Appointed Director to report to the board of the licensee in relation to the obligations set out in this condition.

9.18.20 The licensee must establish a Compliance Committee to report to the board of the licensee.

9.18.21 The licensee must secure that the Compliance Committee includes among its members the Single Appointed Director and such persons from within the licensee's business as are responsible for the management of regulatory issues relating to the licence.

9.18.22 The licensee must ensure that, as might be reasonably required for the fulfilment of the duties and tasks assigned pursuant to this condition, the Compliance Officer:

- a) is provided with such employees, premises, equipment, facilities and other resources; and
- b) has such access to the licensee's premises, systems, information and documentation,

9.18.23 Except to the extent provided for in paragraph 9.18.20, the licensee must ensure that the Compliance Officer is not engaged in the management or operation of the Transmission Business, any Associate of the licensee or any Relevant Other Competitive Businesses.

9.18.24 The licensee must make available to the Compliance Officer details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the Specified Duties.

9.18.25 The duties and tasks of the Compliance Officer must include:

- a) providing advice and information to the licensee (including individual directors of the licensee) and the Single Appointed Director for the purpose of ensuring the licensee's compliance with the Specified Duties;
- b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Specified Duties and described in the Compliance Statement;
- c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to secure the required co-operation;
- d) investigating any complaint or representation made available to the Compliance Officer in accordance with paragraph 9.18.24;
- e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable; and

- f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the Compliance Committee established under paragraph 9.17.20, for the purpose of ensuring its implementation of:
- g) the practices, procedures and systems adopted in accordance with the Compliance Statement; and
- h) any remedial action recommended in accordance with sub-paragraph (e);
- i) reporting to the Compliance Committee any instances which come to his attention, relating to a member of any of the managerial boards of the licensee, taking into account the interests of a business other than that in respect of which the board of which he is a member of has been established; and
- j) reporting annually to the Compliance Committee as to the Compliance Officer's activities in respect of the Specified Duties during the period covered by the annual report.

9.18.26 As soon as is reasonably practicable and in any event before the end of the period of 90 days beginning with the date of issue of each annual report of the Compliance Officer, the licensee must produce, in a form approved by the Authority in accordance with paragraph 9.18.15, a Compliance Report.

9.18.27 The Compliance Report produced in accordance with paragraph 9.18.28 must in particular:

- a) detail the activities of the Compliance Officer during the relevant period covered by the Compliance Report;
- b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems described in the Compliance Statement;
- c) set out the details of any investigations conducted by the Compliance Officer, including:
- d) the number, type and source of the complaints or representations on which such investigations were based;
- e) the outcome of such investigations; and
- f) any remedial action taken by the licensee following such investigations; and
- g) be accompanied by a Compliance Certificate, in a form approved by the Authority in accordance with paragraph 9.18.15, approved by a resolution of the board of the licensee and signed in good faith by the Single Appointed Director pursuant to that resolution, on the licensee's compliance with the Specified Duties.

- 9.18.28 The licensee must, as soon as reasonably practicable, following the approval of the Compliance Certificate by the board of the licensee, and in any event before the end of the period of 120 days beginning with the date of issue of each annual report of the Compliance Officer, submit to the Authority a copy of the Compliance Report and Compliance Certificate produced in accordance with paragraphs 9.18.26 and 9.18.27, and ensure copies of each of them is readily accessible to the public from the licensee's website.
- 9.18.29 The licensee must, if so directed by the Authority, appoint an Independent Examiner for the purpose of providing a written report to the Authority:
- a) reviewing the practices, procedures and systems which have been implemented to secure compliance with this condition;
 - b) assessing the appropriateness of such practices, procedures and systems for securing compliance with the licensee's obligations under this condition; and
 - c) reporting on the licensee's compliance with the requirements of this condition.
- 9.18.30 The Independent Examiner's report must be provided to the Authority during the period of three Working Days beginning with the date on which the licensee receives the report from the Independent Examiner.
- 9.18.31 The Independent Examiner's report must be commissioned at such intervals as the Authority may direct.

SCHEDULE 1: SPECIFIED AREA

Great Britain, the territorial sea adjacent to Great Britain and in any Renewable Energy Zone.

where:

Renewable Energy Zone means an area designated [by Order in Council] under section 84(4) of the Energy Act 2004.

SCHEDULE 2: Revocation

1. The Authority may at any time revoke the licence by giving not less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f) in writing to the Licensee:
 - (a) if the Licensee agrees in writing with the Authority that the licence should be revoked;
 - (b) if any amount payable under condition 4 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice of such failure to the Licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or

- (ii) an order made by the court under section 34 of the Competition Act 1998;
 - (e) if the licensee:
 - (i) has ceased to carry on the transmission business;
 - (ii) has not commenced carrying on the transmission business within 5 years of the date on which the licence comes into force;
 - (f) if the Licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1989 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
 - (g) if the Licensee is convicted of having committed an offence under section 59 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1989 shall have effect as if for “£750” there was substituted “£250,000” or such higher figure as the Authority may from time to time determine by notice in writing to the Licensee.
 3. The Licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1989 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.