

**To: National Grid Electricity Transmission Plc**

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

**Statutory consultation on a proposal to modify the Special Conditions of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc**

1. The Gas and Electricity Markets Authority ('the Authority') proposes to modify the special conditions ('SpC') of the electricity transmission licence ('the licence') held by National Grid Electricity Transmission Plc ('NGET'), granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending the defined term "NGET Redacted Information Document" in SpC 1.1.16 and Appendix 1 of SpC 3.14 (Medium Sized Investment Projects (MSIP) Re-opener and Price Control Deliverable (MSIPREt)).
2. The reason we propose a modification to the defined term "NGET Redacted Information Document" in SpC 1.1.16 as set out in Annex 1, is to remove the reference to the date of the document. This enables the version in force to be the latest iteration of the document received by NGET from the Authority. The effect of this modification will enable updates to the document to include confidential information that is redacted from the licence by way of a Direction issued by the Authority, not just information included by a modification of the definition under section 11(A) of the Electricity Act 1989.
3. The reason we are proposing a modification to Appendix 1 of SpC 3.14 as set out in Annex 2 is to implement our decision to approve funding for five MSIP projects. Further detail on the reasons for and effects of the proposed modification can be found in the following document available on our website: Decision on NGET's 2022 MSIP Re-opener Applications.
4. The full text of the proposed modification to SpC 1.1.16 and 3.14 are set out below in Annexes 1 and 2 respectively, with the text to be deleted marked with strikethrough and new text to be inserted shown double underscored.
5. Any representations with respect to the proposed licence modification must be made on or before 17 May 2023 to: Sai Wing Lo, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to [Sai.Lo@ofgem.gov.uk](mailto:Sai.Lo@ofgem.gov.uk).

6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication and provide an explanation of why it should be treated as confidential. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modification it will take effect not less than 56 days after the decision is published.

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**Jourdan Edwards**  
**Interim Deputy Director, Onshore Networks**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority 19/04/2023**

## Annex 1

### National Grid Electricity Transmission Plc

### Electricity transmission licence

### Special Conditions

We have set out the proposed changes to a defined term "NGET Redacted Information Document" in SpC 1.1.16. Text proposed to be added is double underscored and text removed is struck through.

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|------------------------------------|--|
| NGET Redacted Information Document | means the <u>latest version of the</u> document of that name sent by the Authority to the licensee <del>3 February 2022</del> containing information redacted from this licence. |
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## Annex 2

### National Grid Electricity Transmission Plc

#### Electricity transmission licence

#### Special Conditions

We have set out the proposed changes to Appendix 1 in SpC 3.14 and a correction of typo in SpC 3.14.5. Text proposed to be added is double underscored and text removed is struck through.

#### 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 making any changes under this condition.

##### 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 in Appendix 1; and

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

##### Part B: What is the licensee funded to deliver?

- 3.14.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

## Part C: Medium Sized Investment Projects Re-opener

3.14.6 The licensee may apply to the Authority for a modification to 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:
  - i. create a new boundary, or alter an existing boundary; or
  - ii. finish after 1 April 2028 but before 31 March 2031;
- (d) a Flooding Defence Project, the purpose of which is to follow:
  - i. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
  - ii. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
- (e) an Electricity System Restoration Project following the establishment of an Electricity System Restoration Standard;
- (f) a system operability, constraint management or OMW connection project or substation work which is required to accommodate embedded generation, which in each case has been requested in writing by the System Operator;
- (g) projects that are required in order to meet NETS SQSS requirements regarding security, or system operability;
- (h) Harmonic Filtering projects that are needed following:
  - i. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
  - ii. 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 needed following:
  - i. 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;
  - ii. system studies by the System Operator or the licensee showing a need for dynamic line ratings; or

- iii. system studies by the System Operator or the licensee showing a need for an operational intertrip;
  - (j) data transformation and improvement projects, to implement recommendations regarding specific outputs required to meet principles developed by industry data working groups;
  - (k) SF6 asset interventions, where the licensee can demonstrate a well-justified SF6 Intervention Plan; and
  - (l) Electricity System Restoration Projects or a Flooding Defence Project, where the licensee can demonstrate a well-justified needs case.
- 3.14.7 The licensee may only apply to the Authority 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(l) the licensee may apply twice during the Price Control Period.
- 3.14.9 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) such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements; and
  - (d) an explanation of the basis of the calculation for any adjustments requested to allowances.
- 3.14.10 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.
- 3.14.11 Any modifications under this Part will be made under section 11A of the Act.

## Part D: Assessment of the Price Control Deliverable (MSIPRO<sub>t</sub>)

3.14.12 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for MSIPRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 1.

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

3.14.13 Before making a direction under this Part, 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 3.14.13 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the MSIPRO<sub>t</sub> term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the MSIPRO<sub>t</sub> term.

## Appendix 1

### Medium Sized Investment Project Price Control Deliverable (£m)

|  |  | 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          | <u>N/A</u>   |
| <u>Sulphur hexafluoride (SF6) Asset Intervention</u> | a) <u>Refurbishment at Barking 400kV Substation</u>    | <u>By 31 March 2026</u> | =        | <u>0.058</u> | <u>0.956</u> | <u>1.449</u> | <u>2.005</u> | <u>4.468</u> |
|  | b) <u>Refurbishment at Seabank 400kV Substation</u>    |                         | =        | <u>0.391</u> | <u>1.904</u> | <u>2.03</u>  | <u>1.777</u> | <u>6.102</u> |
|  | c) <u>Refurbishment at Sellindge 400kVI Substation</u> |                         | =        | <u>0.405</u> | <u>0.762</u> | <u>1.344</u> | <u>0.034</u> | <u>2.545</u> |

|   |  |                             |                   |                   |                   |                |                   |                   |
|---|--|-----------------------------|-------------------|-------------------|-------------------|----------------|-------------------|-------------------|
|   | <u>d) Refurbishment at West Ham 400kV Substation</u>   |                             | =                 | <u>0.286</u>      | <u>1.06</u>       | <u>2.755</u>   | <u>2.966</u>      | <u>7.067</u>      |
|   | <u>e) Replacement with HV cable at Monk Fryston 275kV GIB</u>  |                             | =                 | <u>0.034</u>      | <u>0.093</u>      | <u>4.662</u>   | <u>0.018</u>      | <u>4.807</u>      |
|   | <u>f) Replacement of 427 SF6 filled current transformer listed in the NGET Redacted Information Document</u> |                             | =                 | =                 | <u>6.467</u>      | <u>7.831</u>   | <u>9.544</u>      | <u>23.842</u>     |
| <u>N/A Extreme Weather Resilience</u>                       | <u>N/A Complete flood protections at 33 sites listed in the NGET Redacted Information Document</u>           | <u>N/A By 31 March 2026</u> | <u>N/A 0.0</u>    | <u>N/A 0.5</u>    | <u>N/A 0.8</u>    | <u>N/A 0.9</u> | <u>N/A 0.8266</u> | <u>N/A 3.0266</u> |
| <u>N/A Cellarhead Customer Connection</u>                   | <u>N/A Complete Cellarhead Customer Connection</u>   | <u>N/A By 31 March 2023</u> | <u>N/A 0.1858</u> | <u>N/A 0.2494</u> | <u>N/A 0.0062</u> | <u>N/A =</u>   | <u>N/A =</u>      | <u>N/A 0.4414</u> |
| <u>Frodsham Customer Connection</u>                         | <u>Complete Frodsham Customer Connection</u>   | <u>By 31 March 2023</u>     | <u>0.3385</u>     | <u>0.1051</u>     | <u>=</u>          | <u>=</u>       | <u>=</u>          | <u>0.4436</u>     |
| <u>Lister Drive Customer Connection</u>                     | <u>Complete Lister Drive Customer Connection</u>   | <u>By 31 March 2023</u>     | <u>0.6056</u>     | <u>0.0905</u>     | <u>=</u>          | <u>=</u>       | <u>=</u>          | <u>0.6961</u>     |
| <u>Melksham Operational Tripping Scheme Phase 2 Project</u> | <u>Complete Melksham Operational Tripping Scheme Phase 2 Project</u>   | <u>By 31 March 2025</u>     | <u>0.1145</u>     | <u>1.612</u>      | <u>4.174</u>      | <u>1.259</u>   | <u>1.647</u>      | <u>8.8065</u>     |