

**To: National Grid Electricity Transmission Plc**

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

**Modification of special conditions of the electricity transmission licence held by  
National Grid Electricity Transmission Plc**

1. National Grid Electricity Transmission Plc. ('NGET'), is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> gave notice on 19 April 2023 ('the Notice') of its proposal to modify special conditions of the Licence, through modification of the defined term "NGET Redacted Information Document" in SpC 1.1.16, and further, through modification of Appendix 1 of SpC 3.14 (Medium Sized Investment Projects (MSIP) Re-opener and Price Control Deliverable (MSIPREt)) of the Licence.
3. The Authority stated that any representations to be made in respect of the proposed modifications must be made on or before 17 May 2023.
4. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act. The Authority has not received a direction that the change should not be made.
5. The Authority received four representations<sup>2</sup> with respect to the proposed modifications. A response was received from each of the three electricity transmission licensees (NGET, SP Transmission (SPT) and Scottish & Scottish Hydro Electric Transmission plc (SHET)) together with a joint representation on behalf of all three of these licensees.
6. The Authority has properly and comprehensively taken account of all representations.
7. All non-confidential representations have since been published on the Authority's website.
8. Responses to the representations received by the Authority have been outlined and further discussed in the accompanying Authority's decision document, entitled 'Decision on Statutory Consultation: licence modifications to give effect to decision on NGET's 2022 MSIP applications' and dated 6 October 2023 ('Authority's decision document').
9. Particulars of the aforementioned modifications to the Licence are set out in Schedules 1 and 2 to this Notice.

10. No amendments to the proposed modifications have been made by the Authority upon its consideration of the representations received by the Authority, as to bring about any differences between the modifications which have now been decided upon, and the proposed modifications previously set out in the Notice.
11. The reasons for the decision to make the aforementioned modifications, respectively, are:
  - a. the modification of removing the reference given to the date of the NGET Redacted Information Document (in SpC 1.1.16) is to clarify that the latest iteration of the document that has been produced by the Authority and which is confirmed to have been received by NGET, is the version in force; and
  - b. the modification of incorporating the Price Control Deliverables into Appendix 1 of SpC 3.14, is to give effect to the decision of the Authority dated 19 April 2023 to approve funding for NGET's five MSIP projects, and in the terms set out in that decision.
12. These reasons are further discussed and explained in the accompanying Authority's decision document.
13. The effect of the modifications decided upon by the Authority, comprises:
  - a. enabling the updating of the NGET Redacted Information Document, to include confidential information which has been redacted from the Licence by way of a direction issued by the Authority, further to information included by virtue of a modification of the definition provided for by section 11(A) of the Act; and
  - b. setting allowances for the delivery of NGET's five MSIP projects.
14. The effect of the modifications decided upon by the Authority, are further discussed and explained in the accompanying Authority's decision document.
15. Where any application for permission to appeal our decision is made to the Competition and Markets Authority ('CMA') under section 11C of the Act, then Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules<sup>3</sup> requires the appellant to send, to any relevant licence holder(s) which is not a party to the appeal, a non-sensitive notice setting out the matters required in Rule 5.2. Schedule 3 to this Notice, provides a list of relevant licence holders in this instance. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.
16. Accordingly, pursuant to the power provided by section 11A(1)(a) of the Act, the Authority has decided to make the modifications in the manner specified in Schedules 1 and 2 to this Notice.
17. The modifications will have effect from 1 December 2023.
18. For the purposes of section 49A(2) of the Act, this Notice states the reasons for the Authority's decision to make the aforementioned modifications, so far as the

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<sup>3</sup> CMA70 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655601/energy-licence-modification-appeals-rules.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf)

Authority considers appropriate for the purpose of bringing the matters to which the Notice relates to the attention of persons likely to be interested.

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

**6 October 2023**

**Schedule 1: Modifications to a defined term “NGET Redacted Information Document” in 1.1.16 in Special Condition 1.1 of the electricity transmission licence held by National Grid Electricity Transmission Plc**

(New text 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>on 3 February 2022</del> containing information redacted from this licence.
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## **Schedule 2: Modifications to 3.14.5 and Appendix 1 in in Special Condition 3.14 of the electricity transmission licence held by National Grid Electricity Transmission Plc**

(For the modifications in this decision, new text is double underscored and text removed is struck through. No amendment was made since the proposed modifications in the Notice. There are proposed modifications to SpC 3.14 by other decision, which are highlighted in cyan.)

### **Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE<sub>t</sub>)**

#### **Introduction**

- 3.14.1 The purpose of this condition is to calculate the term MSIPRE<sub>t</sub> (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<sub>t</sub>)**

- 3.14.4 The value of MSIPRE<sub>t</sub> is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

*MSIPO<sub>t</sub>* means the sum of allowances in Appendix 1; and

*MSIPRO<sub>t</sub>* 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;
- (m) a project identified by NGESO as required to be delivered by 2030; and**
- (n) a project required to enable delivery of an ASTI project.**
- 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;
  - (f) **or as otherwise directed by the Authority.**
- 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>



	<u>b) 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>
	<u>c) Refurbishment at Sellindge 400kV I 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</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>Customer Connection</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>

### **Schedule 3: Relevant Licence Holders<sup>4</sup>**

National Grid Electricity Transmission Plc

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<sup>4</sup> <https://www.ofgem.gov.uk/publications/list-all-electricity-licensees-including-suppliers>