

**To: Scottish Hydro Electric Transmission Plc**

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

**Modification of the Special Conditions of the electricity transmission licence held  
by the above licensee**

1. Scottish Hydro Electric Transmission Plc 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 22 March 2024 (“the Notice”)<sup>2</sup> that we proposed to modify special condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR<sub>t</sub>)) of the Licence. We stated that any representations to the modification proposal must be made on or before the 27 April 2024.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received three responses to the Notice. We carefully considered these and have published all non-confidential responses on the consultation webpage.<sup>3</sup> A summary of these responses and our view on them is set out in Chapter 2 of the decision document which is published alongside this modification.
5. No amendments have been made by the Authority between the modifications which have now been decided upon and the proposed modifications previously set out in the Notice after taking into consideration responses received by the Authority.
6. In line with Special Condition (SpC) 3.41.10 and the Accelerated Strategic Investment Guidance and Submission Requirements Document,<sup>4</sup> the reasons we are making the modification are because we are satisfied that NGET’s Early Construction Funding (ECF) request:
  - a. Has not exceeded the stated threshold of 20% of total forecasted project cost as set by SpC 3.41.8. It therefore strikes the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that the project does not progress;
  - b. Complied with the requirement to provide notice in writing of SHET’s intention to make the application under section 3.41.7 at least eight weeks before SHET made the application; and
  - c. There is a clear justification for why it is in consumers’ interests to provide funding for the proposed activities to take place ahead of our cost assessment process (ASTI PA) as the early construction activities will aid in accelerating project delivery.

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

<sup>2</sup> [Eight Scottish Hydro Electric Transmission projects - Early Construction Funding and proposed licence modification | Ofgem](#)

<sup>3</sup> Ibid.

<sup>4</sup> [Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document | Ofgem](#)

7. This modification is to give effect to our final decision to add allowances to the ASTI Confidential Annex as referenced in Appendix 1 (ASTIA<sub>t</sub>) of SpC 3.41 'Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIA<sub>t</sub>)' in the Licence to allow SHET's ECF expenditure request. The addition to the allowances will be reflected in what will now become the latest version of the ASTI Confidential Annex.
8. For reasons of commercial sensitivity, details of the amended allowance are confidential but will be issued to SHET in the updated ASTI Confidential Annex. Therefore, except for the ASTI Confidential Annex, a copy of the modification and other documents referred to in this Notice have been published on our website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Alternatively, they are available from [information.rights@ofgem.gov.uk](mailto:information.rights@ofgem.gov.uk)
9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules<sup>5</sup> requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Appendix 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify Appendix 1 in SpC 3.41 of the Electricity Transmission Licence of Scottish Hydro Electric Transmission Plc in the manner specified in the attached Annex 1. This modification will take effect from 08 October 2024.

This document is notice to the reasons for the decision to modify the Electricity Transmission Licence held by Scottish Hydro Electric Transmission Plc as required by section 49A(2) of the Act.

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

**13 August 2024**

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<sup>5</sup> [Energy Licence Modification Appeals: Competition and Markets Authority Rules](#), CMA70

# **Appendix 1 – Amended licence conditions**

## **Modifications to Special Condition 3.41 of SHET’s licence**

As referred to in paragraph 5, no amendments have been made by the Authority between the modifications which have now been decided upon and the proposed modifications previously set out in the Notice.

The original modifications are shown as follows:

- New text – double underlined
- Deleted text – strikethrough (not applicable – we have not deleted any text)

## Special Condition 3.41 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR<sub>t</sub>)

### Introduction

- 3.41.1 The purpose of this condition is to specify the value of the term ASTIR<sub>t</sub> (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.41.2 The effect of this condition is to:
- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;
  - (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1 and the Minimum circuit availability standard after delivery in Appendix 2;
  - (c) provide for an assessment of the Price Control Deliverable; and
  - (d) establish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.
- 3.41.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 as a result of the Re-opener.

### Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term (ASTIR<sub>t</sub>)

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

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

ASTIA <sub>t</sub>	means the allowances in Appendix 1; and
ASTIRA <sub>t</sub>	has the value zero unless otherwise directed by the Authority in accordance with Part G.

### Part B: ASTI Outputs

- 3.41.5 The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.
- 3.41.6 After the ASTI Output has been delivered it must be operational and available for use by NGENSO for the period specified in Appendix 2 after application of the exclusions set out in Chapter 4 of the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

### Part C: Early Construction Funding

- 3.41.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust ASTIA<sub>t</sub>.
- 3.41.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.41.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.

3.41.9 The licensee must notify the Authority in writing of its intention to make an application under 3.41.7 at least 8 weeks before making an application, unless the Authority directs otherwise.

3.41.10 A modification under this Part will be made under section 11A of the Act.

#### **Part D: ASTI Project Assessment Decision**

3.41.11 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendices 1 and 2 to:

- (a) specify or amend an ASTI Output, a delivery date and associated allowances; and
- (b) specify the minimum circuit availability standard after delivery for the relevant ASTI Output.

3.41.12 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.

3.41.13 A modification under this Part will be made under section 11A of the Act.

#### **Part E: ASTI Cost And Output Adjusting Event**

3.41.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.

3.41.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:

- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.41.17, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
  - i. by each event;
  - ii. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold,; and

(b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.41.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.

3.41.17 The percentage referred to in paragraph 3.41.15(a) is:

- (a) 5%; or
- (b) such other percentage as the Authority may specify by direction.

3.41.18 An application under this Part must be made in writing and must:

- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.41.15, or where applicable 3.41.16, has occurred;

- (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
- (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, 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 ASTI 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 ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.

3.41.19 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
- (c) the requirements of paragraphs 3.41.14 to 3.41.18, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

3.41.20 A modification under this Part will be made under section 11A of the Act.

**Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive)**

3.41.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.9.

3.41.22 A modification under this Part will be made under section 11A of the Act.

**Part G: Assessment of the Price Control Deliverable (ASTIRA<sub>t</sub>)**

3.41.23 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 ASTIRA<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 1.

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

3.41.24 Before making a direction under Part G 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.

3.41.25 A direction in respect of Part G will set out:

- (a) the delivery status of the ASTI Output that has not been Fully Delivered;
- (b) the value of the ASTIR<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 ASTIR<sub>t</sub> term.

### **Part I: Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document**

3.41.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

3.41.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.

3.41.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.

3.41.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.

3.41.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.40 (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.9 (ASTI output delivery incentive).

3.41.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment 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 Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

3.41.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;

- (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

**Appendix 1**  
**ASTI Price Control Deliverable**

<b>ASTI Output</b>	<b>Delivery Date</b>	<b>Allowance (ASTIA<sub>t</sub>, £m)</b>	<b>ECF/PA</b>
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
Uprate the Beauly to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)	31 December 2030	Have the values given in the ASTI Confidential Annex	
Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)	31 December 2031	Have the values given in the ASTI Confidential Annex	
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>
Arnish to Beauly 1.8GW HVDC link (Western Isles)	31 December 2031	Have the values given in the ASTI Confidential Annex	<u>ECF</u>

**Appendix 2**  
**ASTI Output availability standard**



<b>ASTI Output</b>	<b>Minimum circuit availability standard after delivery (%)</b>		
	<b>0-6 months</b>	<b>6-12 months</b>	<b>12-24 months</b>
Beaulieu to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)			
Upgrade the Beaulieu to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)			
Beaulieu to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)			
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)			
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)			
Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)			
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)			
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)			
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)			
Arnish to Beaulieu 1.8GW HVDC link (Western Isles)			

## Appendix 2 - Relevant licence holders

<b>Electricity Transmission</b>
Scottish Hydro Electric Transmission plc