

**ENDURING MODIFICATIONS TO AMENDED STANDARD CONDITIONS AND SPECIAL
CONDITIONS OF ELECTRICITY TRANSMISSION LICENCE OF SCOTTISH POWER
TRANSMISSION LIMITED**

Note:

- 1** This document shows the proposed modifications to the standard conditions and the special conditions of SPT's transmission licence which it is anticipated the Secretary of State will make in exercise of her powers under Chapter 1 of Part 3 of the Energy Act 2004 (save that this document does not show deleted conditions).
- 2** The text of the proposed modifications to the standard conditions and the special conditions of SPT's transmission licence which it is anticipated the Secretary of State will make ("proposed designation text") is contained in a number of annexes (the "Annexes") which are also being published on this website today. (It is anticipated that annexes in the same form as the Annexes will form part of the direction from the Secretary of State to modify the standard conditions and the special conditions of SPT's transmission licence).
- 3** The attached document, which is being made available for information purposes only, is intended to show the proposed designation text in the context of the relevant licence conditions. It should not, however, be relied upon in any consideration of the proposed modifications, for which reference should be made to the proposed designation text referred to at paragraph 2 above.
- 4** There may be differences between the way the proposed modifications are shown in the attached documents and the way the proposed designation text is expressed in the Annexes. Any differences are unintentional and may be due to the software used to produce the attached documents.

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PART IV. SPECIAL CONDITIONS SPECIAL.SPT

Special Condition A: ~~Interpretation.~~ Definitions and interpretation

1. ~~Unless~~In these special conditions unless the context otherwise requires:

"appropriate time" for the purposes of special condition D (Independence of and appointment of managing director of the transmission business) only, has the meaning given in that condition.

"competent authority" for the purposes of special condition C (Restriction on use of certain information) only, has the meaning given in that condition.

"confidential information" for the purposes of special condition C (Restriction on use of certain information) only, has the meaning given in that condition.

"Electricity Arbitration Association" for the purposes of special condition C (Restriction on use of certain information) only, has the meaning given in that condition.

"external distribution activities" for the purposes of special condition C (Restriction on use of certain information) only, has the meaning given in that condition.

"external transmission activities" for the purposes of special condition D (Independence of and appointment of managing director of the transmission business) only, has the meaning given in that condition.

2. Subject to paragraph 1, unless the context otherwise requires, words and expressions used in the standard conditions of this licence shall bear the same meaning in these ~~Special~~special ~~Conditions~~conditions.

3. Where a term is used in these special conditions and is also used in Section D of the standard conditions for electricity transmission licences then, unless the context otherwise requires, it shall have the same meaning in these special conditions as is ascribed to that term in Section D of the standard conditions.

~~2.4.~~ Any reference in these ~~Special~~special ~~Conditions~~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;

shall, 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.

Special Condition AA. Transmission area

Scotland (except the area specified in the Electricity Act 1989 (North of Scotland Specified Area Order 1990) made on 7 March 1990), the Cruachan Transmission Line and the Dalmally Switching Station.

In this condition, the "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 and/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.

Special Condition B. Activities restrictions

1. Subject to the provisions of paragraph 2 below (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I of this 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.

2. The licensee shall not:
 - (a) co-ordinate or direct the flow of electricity onto or over the whole or any part of the GB transmission system except where permitted to do so under the STC, subject to the approval of the Authority, or where required to do so by any other licence condition; and

 - (b) outside its transmission area, make available assets comprising part of the GB transmission system which are intended for the purpose of conveying or affecting the flow of electricity.

Special Condition C. Restriction on use of certain information

1. Any information relating to or deriving from the management or operation of the transmission business shall, for the purposes of this condition, be treated as confidential information.
2. The licensee shall not (and shall procure that its affiliates and related undertakings shall not) disclose or authorise access to confidential information:
 - (a) save to the extent provided by sub-paragraphs 3(b) to (d), to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of any other business (whether or not a separate business) of the licensee; or
 - (b) save to the extent permitted by paragraph 3, to any other person.
3. Subject to paragraphs 9 to 12 of special condition D (Independence of and appointment of managing director of the transmission business), the licensee shall (and shall procure that its affiliates and related undertakings shall) disclose or authorise access to confidential information only:
 - (a) in the following circumstances, namely:
 - (i) to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities and require access to the information for that purpose;
 - (ii) to personnel of any holder of a distribution licence or a transmission licence holder engaged in the external distribution activities of that distribution licence holder, or the external transmission activities of that transmission licence holder (as the case may be), to the extent necessary for the performance by such personnel of those external distribution activities, or those external

transmission activities (as the case may be), and the use by such personnel of that information for that purpose;

provided that effective arrangements are maintained in place at all times for ensuring that no further disclosure of any information supplied or obtained pursuant to this paragraph is made and that such information is used only for the purpose of the transmission business or any external transmission activities of the licensee;

(b) where the licensee (or any affiliate or related undertaking of the licensee) is required or permitted to disclose such information by virtue of:

(i) any requirement of a competent authority;

(ii) the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which it is required by virtue of the Act or that licence to comply;

(iii) any other requirement of law; or

(iv) the rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;

(c) where such information was provided by or relates to any person who has notified (or otherwise agreed with) the licensee that it need not be treated as confidential; or

(d) where such information, not being information provided by or relating to any person other than the licensee, is placed by the licensee in the public domain

and in each case the licensee shall disclose or authorise access to the confidential information only insofar as is necessary or appropriate in all the circumstances.

4. Subject to paragraphs 9 to 12 of special condition D (Independence of and appointment of managing director of the transmission business), the licensee

shall use all reasonable endeavours to ensure that any person who is in possession of or has access to confidential information in accordance with sub-paragraph 3(a) shall use such information only for the purposes of the transmission business or any external transmission activities.

5. In this condition

"competent authority"

means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Takeovers 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, the United Kingdom, the United States of America or the European Community.

"confidential information"

bears the meaning given at paragraph 1.

"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.

"external distribution activities"

means any business of the licensee or any affiliate or related undertaking comprising or ancillary to the maintenance, repair or operation of, or other activities in connection with any

electricity distribution or transmission system other than the licensee's distribution system ("an external distribution system").

"external transmission activities"

has the meaning given to that term in special condition D (Independence of and appointment of managing director of the transmission business) of this part of this licence.

Special Condition D. Independence of and appointment of managing director of the transmission business

1. (a) The licensee shall establish and shall thereafter maintain the full managerial and operational independence of the transmission business and any external transmission activities from each other business (whether or not a separate business) of the licensee and of its affiliates and related undertakings.

(b) The licensee shall appoint an officer (hereafter referred to as "the Managing Director of Transmission") to be responsible for the conduct of the transmission business and any external transmission activities.

2. The Managing Director of Transmission may be a director:

(a) of the transmission licensee; or

(b) in the circumstances set out in paragraph 12 only, of the licensee and of an affiliate or related undertaking of the licensee which holds a distribution licence or a holding company only engaged in ownership or management of distribution or transmission businesses or both;

provided that the licensee shall ensure that the Managing Director of Transmission shall not be a director of any other affiliate or related undertaking of the licensee and that he shall not be engaged by the licensee in any other capacity than as Managing Director of Transmission.

3. The licensee shall arrange for the Managing Director of Transmission in the course of discharging his responsibility under paragraph 1 to be provided from time to time with:

(a) the services of such persons (as the Managing Director of Transmission may from time to time select), whose services:

(i) may be dispensed with at the sole discretion (subject to compliance with relevant UK employment legislation) of the Managing Director of Transmission; and

(ii) will only be utilised if such persons execute a contract of or for services containing an appropriate confidentiality clause regarding that information which may be acquired by such person whilst working for the transmission business and any external transmission activities;

(b) such premises, systems, equipment, facilities, property, personnel, data and management resources; and

(c) such finance;

as may be reasonably required by the Managing Director of Transmission for the efficient and effective management and operation of the transmission business in accordance with the licensee's duty under section 9(2)(a) of the Act and the transmission licence.

4. The licensee shall direct the Managing Director of Transmission:

(a) to inform the directors of the licensee, in writing, if, at any time, he is of the opinion that the provision of those items specified in paragraph 3 are not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and the transmission licence; and

(b) as soon as practicable after the end of the year 2001 and of each subsequent calendar year, to furnish to the directors of the licensee:

(i) an informative report on the provision of those matters made in respect of that year; and

(ii) a statement of his opinion whether adequate arrangements have been or are likely to be made for the provision of those matters which will be required in respect of the ensuing calendar year to enable the licensee to comply with those duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.

5. On receipt of any information under paragraph 4(a) or report and statement under paragraph 4(b), the licensee shall, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:

(a) give to the Authority forthwith that information or report and statement;
and

(b) where such a report is received, publish it in such form and manner as the Authority may direct.

6. Except insofar as the Authority consents to the licensee doing so, the licensee shall only give directions to the Managing Director of Transmission as to the discharge of his responsibilities under paragraph 1:

(a) where:

(i) in the bona fide and reasonable opinion of the licensee the statutory, licence and contractual obligations of the licensee; or

(ii) in the bona fide opinion of the directors, their duties;

so require; or

(b) to ensure compliance with paragraph 4.

7. The licensee shall give directions under sub- paragraph 6(a) by notice in writing, specifying in the notice the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give directions, which notice shall be copied to the Authority.

8. Except insofar as the Authority consents to the licensee not doing so, the licensee shall, subject to paragraph 9 below, ensure that:

(a) no business of the licensee (or of any affiliate or related undertaking of the licensee), other than the transmission business or any external transmission activities, may use or have access to:

- (i) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities;
 - (ii) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities also have access;
 - (iii) equipment, facilities or property employed for the management or operation of the transmission business or any external transmission activities; or
 - (iv) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities; and
- (b) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the transmission business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any affiliate or related undertaking of the licensee) until the expiry of an appropriate time from the date on which he ceased to be engaged by the transmission business.

9. The Authority may, upon the written request of the licensee, issue a direction relieving the licensee of its obligations under special condition C (Restriction on use of certain information) and under paragraphs 1(a), 2 and 8 of this condition, to such extent and subject to such terms and conditions as he may specify in that direction, where:

- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
- (b) in the case of paragraphs 2 to 4 of special condition C (Restriction on use of certain information), a failure to comply with any aspect of those obligations would be of a trivial nature; or

(c) in the case of paragraphs 1(a) and 8 of this condition, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the transmission business and any other business of the licensee (or of any affiliate or related undertaking of the licensee):

(i) do not involve a cross-subsidy being either given to the transmission business by such other business or received from the transmission business by such other business;

(ii) obtain for the transmission business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and

(iii) do not restrict, distort or prevent competition in the generation or supply of electricity,

provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive 96/92/EC.

10. Where, subsequent to the issue of a direction pursuant to paragraph 9, the criteria set out at sub-paragraphs 9(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify any terms and conditions which may be specified in it.

11. For the purposes of paragraphs 9 and 10 the Authority shall, following consultation with the licensee, determine any question as to whether the criteria set out at sub-paragraphs 9(a), (b) or (c) are or continue to be satisfied.

12. If the Authority is requested to issue any direction pursuant to paragraph 9 relating to the transmission business being managed or operated by the licensee together with any distribution business then that direction may provide that for the purposes of this condition and of special condition ~~D3~~C (Restriction on use of certain information) the transmission business shall be taken to include any such distribution business and for the Managing Director of Transmission to take part in the management of and/or to be a director of any company carrying on any such distribution business.

13. In this condition:

"appropriate time"

means 3 months, or such shorter period as the Authority may approve in respect of any person or class of persons.

"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 GB transmission system other than the licensee's transmission system.

Special Condition E. Appointment of compliance officer

1. The licensee shall prepare a statement in a form approved by the Authority setting out the practices, procedures and systems which the licensee has adopted (or intends to adopt) to ensure its compliance with the relevant duties.
2. The licensee may periodically revise the information set out in and, with the approval of the Authority, alter the form of the statement prepared in accordance with paragraph 1 and shall, at least once every year during which this licence is in force, review such statement in order that the information set out therein shall continue to be accurate in all material respects.
3. The licensee shall send a copy of the statement prepared in accordance with paragraph 1, and of each revision of such statement in accordance with paragraph 2, to the Authority.
4. The licensee shall, following consultation with the Authority, appoint a competent person (who shall be known as the "Compliance Officer") for the purpose of facilitating compliance by the licensee with the relevant duties.
5. The licensee shall at all times engage the services of the Compliance Officer for the performance of such duties and tasks as the licensee considers it appropriate to assign to him for the purposes specified at paragraph 4, which duties and tasks shall include those set out at paragraph 8.
6. The licensee shall procure that the Compliance Officer:
 - (a) is provided with such staff, premises, equipment, facilities and other resources; and
 - (b) has such access to its premises, systems, information and documentation
as, in each case, he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.
7. The licensee shall make available to the Compliance Officer a copy of any complaint or representation received by it from any person in relation to any of

the practices, procedures and systems adopted by the licensee in accordance with the statement referred to at paragraph 1.

8. The duties and tasks assigned to the Compliance Officer shall include:

(a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the Relevant Duties;

(b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to at paragraph 1;

(c) investigating any complaint or representation made available to him in accordance with paragraph 7;

(d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;

(e) providing relevant advice and information to the licensee for the purpose of ensuring its effective implementation of:

(i) the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 1; and

(ii) any remedial action recommended in accordance with sub-paragraph (d); and

(f) reporting annually to the directors of the licensee - in respect of the year ending 31 December 2001 and of each subsequent year - as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.

9. As soon as is reasonably practicable following each annual report of the Compliance Officer, the licensee shall produce a report:

(a) as to its compliance during the relevant year with the relevant duties; and

(b) as to its implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 1.

10. The report produced in accordance with paragraph 9 shall in particular:

- (a) detail the activities of the Compliance Officer during the relevant year;
- (b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 1; and
- (c) set out the details of any investigations conducted by the Compliance Officer, including:
 - (i) the number, type and source of the complaints or representations on which such investigations were based;
 - (ii) the outcome of such investigations; and
 - (iii) any remedial action taken by the licensee following such investigations.

11. The licensee shall submit to the Authority a copy of the report produced in accordance with paragraph 9, and shall give or send a copy of the report to any person who requests such a copy.

12. In this condition:

"relevant duties" means the obligations set out in special condition C (Restriction on use of certain information).

Special Condition F. Amended standard conditions

1. Standard condition A1 (Definitions and interpretation) shall be amended as follows:

(a) the following text shall be inserted between the definition of "Section D (transmission owner standard conditions) Directions" and the definition of "statutory accounts":

"separate business" means each or any of:

(a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee.";

(b) in the definition of "transmission business", the following text shall be added as sub-paragraph (i) "any other separate business";

(c) the existing sub-paragraphs (i) and (ii) of the definition of "transmission business" shall be renumbered as (ii) and (iii) respectively; and

(d) in the definition of "transmission business" in sub-paragraph (iii), the words "(whether or not a separate business)" are inserted after "any other business".

2. Standard condition B1 (Regulatory accounts) shall be amended by the addition of the following text at the beginning of paragraph 6:

"6. Unless the Authority otherwise consents (such consent may be given in relation to some or all of the obligations in this condition and may be given subject to such conditions as the Authority considers appropriate), ..."

3. Standard condition B6 (Restriction on activity and financial ringfencing) shall be amended as follows:

(a) in paragraph 4(b)(ii), the words "the date this condition comes into effect in the licensee's transmission licence" are deleted and the words "28 September 2001" are inserted; and

(b) in paragraph 4(d)(i), the words "the date this condition comes into effect in the licensee's transmission licence" are deleted and the words "28 September 2001" are inserted.

4. Paragraph 1(d) of standard condition B9 (Indebtedness) shall be amended by deleting the words, "date this condition comes into effect in the licensee's transmission licence" and inserting the words "1 October 2001".

Special Condition G: Requests for ~~Transit~~transit

1. In this Condition:

- “entity” means any of the entities referred to in Article 3.1 of the Directive of the Council of the European Communities, dated 29th October 1990, (No.90/547/EEC) on the transit of electricity through transmission grids ("the Directive").
- “grid” means any high-voltage electricity transmission grid for the time being listed in the Annexe to the Directive.
- “Member State” means a Member State of the European Union.
- “transit” means a transaction for the transport of electricity between grids where:
- (a) the grid of origin or final destination is situated in a Member State; and
 - (b) the transport involves:
 - (i) the crossing of at least one frontier between Member States; and
 - (ii) the use of the ~~licensee's~~GB transmission system and at least two other grids.

2. The licensee shall, after receiving in connection with transit for a minimum duration of one year an application by an entity for an agreement for:

- (a) use of system;
- (b) connection to the ~~licensee's~~GB transmission system or modification to an existing connection; or
- (c) use of ~~the licensee's share of Scottish interconnection~~interconnector(s),

notify the Secretary of State, the Authority and the European Commission without delay of the matters set out in paragraph 3 below.

3. The matters of which notification must be given are:

- (a) the application;
- (b) if an agreement has not been concluded within 12 months of the date of receipt of the application, the reasons for the failure to conclude it;
- (c) the conclusion of the agreement, whether it is concluded before or after the expiry of the period mentioned in sub-paragraph (b) above.

4. If, in relation to an application for transit by any entity, the Authority has been requested to exercise its powers under standard condition ~~D8C (Functions of the Authority) or Special Condition E9~~ (Functions of the Authority), the Authority may delay the exercise of its said powers until the terms have been considered by the body set up under Article 3.4 of the Directive and the Authority may give such weight to the opinion (if any) of that body as it thinks fit in exercising its said powers.

Special Condition H. Change co-ordination for the Utilities Act 2000

1. The licensee shall take all reasonable measures to secure and implement, and shall not take any steps to prevent or unduly delay, such changes to the industry framework documents as are necessary or expedient to give full and timely effect to the provisions of the Utilities Act 2000.

2. In complying with paragraph 1, the licensee shall act in the case of each industry framework document consistently with the change procedures currently applicable to that document, except where to do so would be inconsistent with any provision of the Utilities Act 2000, in which event that provision shall take precedence.

3. For the purposes of this condition, "industry framework document" means, subject to paragraph 4, any of the following documents to which the licensee is a party, or in relation to which it holds rights in respect of amendment or termination, together with any documents which are supplemental or ancillary thereto:

(a) the Pooling and Settlement Agreement;

(b) the Balancing and Settlement Code;

(c) the Master Connection and Use of System Agreement or the Connection and Use of System Code;

(d) the Settlement Agreement for Scotland;

(e) the Master Registration Agreement;

(f) the Data Transfer Services Agreement;

(g) the Radio Teleswitch Agreement;

(h) any Grid Code;

(i) any Distribution Code;

(j) the Trading Code;

- (k) the Fuel Security Code;
 - (l) any agreement for use of an interconnector or Scottish interconnection;
and
 - (m) any agreement for the provision of distribution use of system, meter provision services, meter maintenance services, data retrieval services, data processing services, data aggregation services, or prepayment meter services.
4. Where the Authority considers that the list of industry framework documents set out in paragraph 3 should be modified for the purposes of this condition, the licensee shall discuss any proposed modification (including addition) to the list in good faith and use all reasonable endeavours to agree such modification with the Authority.
5. This condition shall cease to have effect on 30 June 2002 or such earlier date as the Authority may specify in a direction given, for the purposes of this condition generally.