

The Company Secretary:

- 1. National Grid Electricity Transmission plc (Company No.2366977)**
1-3 Strand
London WC2N 5EH
Great Britain

- 2. SP Transmission Ltd (Company No SC189126)**
1 Atlantic Quay
Robertson Street
Glasgow G2 8SP
Great Britain

- 3. Scottish Hydro Electric Transmission Ltd (Company No SC213461)**
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ
Great Britain

SECTION 11A AND SECTION 49A(1)(b) OF THE ELECTRICITY ACT 1989

MODIFICATION OF STANDARD CONDITION C17 IN THE TRANSMISSION LICENCES TREATED AS GRANTED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989; AND

NOTICE OF THE REASONS FOR THE DECISION TO MODIFY THE LICENCES

WHEREAS:

1. The companies to whom this document is addressed (the "Licensees"), each holds a transmission licence (the "Licences") granted or treated as granted by the Gas and Electricity Markets Authority (the "Authority") section 6(1)(c) of the Electricity Act 1989 (the "Act");

2. In accordance with section 11A of the Electricity Act 1989 the Authority gave notice (the "Notice") on 16 December 2005- on its website that it proposed to make modifications to standard condition C17 (Transmission system security standard and quality of service) of the Licences (the "Condition") and the Authority specified that any representations or objections to the proposed modifications must be made on or before 20 January 2006.

3. The modifications alter paragraphs 2 and 3 of the Condition as set out in the Schedule herewith, and revise transmission performance reporting arrangements by requiring the system operator to submit to the Authority yearly, a report providing details of the security and availability and service quality of the GB transmission system, including information and data relating to its transmission system and every other Licensee's transmission system.

4. The Authority served a copy of the notice on the relevant licence holder National Grid Electricity Transmission plc, the system operator, in whose Licence the Condition had effect at the expiration of the notice.

5. In accordance with section 11A(4) of the Act the Authority also sent a copy of the notice of its intention to make the modifications to the Secretary of State and did not receive by the date the notice expired or at all, a direction from the Secretary of State not to make any modification.
6. The Authority received by 20 January 2006, three representations (and no objections), which in summary are that:
 - (a) Modifications to the Condition should be made contemporaneously with modifications to standard condition D3 (Transmission system security standard and quality of service) ("condition D3") of the Licences which were the subject of a separate notice, coterminous with the Notice in order to enable the Licensees to fully comply with their obligations under the Condition;
 - (b) Procedures should be established to enable Licensees' agreement or a determination by the Authority on the accuracy of the system operator's yearly report to the Authority or in the alternative the report should include a statement of each Licensee's views on any disputed points; and
 - (c) The system operator should publish each yearly report as soon as possible within the timescales set out in the Conditions in order to make the report relevant to customers.
7. Having duly considered the representations the Authority intends to make contemporaneous modifications to the Condition and condition D3 and concludes that the requirements in the Condition about the details to be provided in the yearly report, together with the provision for the Authority to consider the report before publication provide sufficient safeguards to protect consumers and enable Licensees to comply with their obligations under the conditions.

NOW in accordance with the powers contained in section 11A of the Act, the Authority **HEREBY MODIFIES** standard condition C17 (Transmission system security standard and quality of service) of the Licences to be as set out in the attached Schedule **WITH EFFECT** on and from 13 February 2006.

This document also constitutes under section 49A(1)(b) of the Act, notice of the reasons for the decision to modify the Licences.

The Official Seal of the Gas and Electricity Markets Authority is affixed hereto and is authenticated by

Robert Hull, Director – Transmission

Duly authorised on behalf of the Authority

13 February 2006

SCHEDULE

MODIFICATION OF STANDARD CONDITION C17 IN THE TRANSMISSION LICENCES TREATED AS GRANTED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989

2. The licensee shall at all times have in force a statement approved by the Authority following consultation with any relevant authorised electricity operator setting out criteria by which system availability, security and service quality of the GB transmission system may be measured and where such measurement is dependent on information provided to the licensee by a transmission owner, the statement shall specify the information to be so provided.
3. The licensee shall within 4 months after the end of each financial year submit to the Authority a report providing details of system availability, security and service quality of the GB transmission system during the previous financial year against the criteria referred to in paragraph 2 of this condition and shall publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.