

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 D3 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 D3 (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 paragraph 2 and omit paragraph 3 of the Condition as set out in the Schedule herewith, and revise transmission performance reporting arrangements by requiring the two Licensees who are transmission owners to provide to the system operator information to enable the system operator to submit a yearly report to the Authority in compliance with standard condition C17 (Transmission system security standard and quality of service) of the Licences.

4. The Authority served a copy of the notice on the relevant licence holders Scottish Power Transmission Limited and Scottish Hydro Electric Limited, the two transmission owners, in whose Licences 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 C17 (Transmission system security standard and quality of service) ("condition C17") of the Licences which were the subject of a separate notice, coterminous with the Notice in order to enable the system operator to fully comply with its obligations under condition C17;
 - (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 provided under condition C17, 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 C17 and concludes that the requirements in condition C17 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 D3 (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 D3 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 no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph 3 of standard condition C17 (Transmission system security standard and quality of service) of the transmission Licence.**

- 3. *(Omitted)***