

THE ELECTRICITY ACT 1989
Section 11A

MODIFICATION OF STANDARD CONDITIONS OF ELECTRICITY TRANSMISSION LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(b) OF ELECTRICITY ACT 1989

Whereas:

1. Each of the companies to whom this document is addressed holds an electricity transmission licence, granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act"), to participate in the transmission of electricity subject to the conditions contained in that licence.
2. In accordance with section 11A(3) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice ("the notice") on 12 September 2005 that it proposed to modify the standard licence conditions ("SLCs") of electricity generation, transmission, distribution and supply licences.
3. The notice proposed modifications to SLCs A1 (Definitions and interpretation), B3 (Disposal of relevant assets), C1 (Interpretation of Section C) and C7 (Prohibition on discriminating between users) of the electricity transmission licences.
4. Objections or representations to the proposed modifications were required to be made on or before 10 October 2005. The Authority did not receive any objections and received one representation in response to the notice from an electricity distribution licensee.
5. The Authority sent a copy of the notice to the Secretary of State and to energywatch. The Secretary of State did not direct the Authority not to make the proposed modifications.
6. The representation referred to:
 - (a) the modification of SLC C1 (Interpretation of Section C) to provide that the definition of "interconnector(s)" has the meaning given "in section 4(3E) of the Act". The licensee indicated that section 4(3E) of the Act, as inserted by section 145 of the Energy Act 2004, does not recognise the term "interconnector(s)". The term recognised is "electricity interconnector"; and
 - (b) the modification of SLC C7 (Prohibition on discriminating between users). The licensee suggested that the word "the" should be deleted immediately before the word "participation", so that the composite phrase beginning with the word "competition" and running to the end of that sentence makes good grammatical sense.
7. The Authority has carefully considered the representation.
8. In accordance with section 49A of the Act, the Authority published its decision about the proposed modifications and the reasons for that decision on 10 November 2005 in a

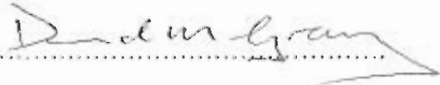
letter entitled, "Decision in respect of licence modifications required as a consequence of the introduction of interconnector licences: statutory notices under section 11 and section 11A of the Electricity Act 1989" ("the decision letter").

9. In accordance with the decision letter, the definition of "interconnector(s)" in SLC C1 (Interpretation of Section C) has been modified to address the concern of the electricity distribution licensee, referred to in sub-paragraph 6(a) of this document. The reason the change suggested to SLC C7 (Prohibition on discriminating between users) has not been made is contained in the decision letter.

Modification

In accordance with the powers contained in section 11A(1) of the Act, the Authority hereby modifies SLCs A1 (Definitions and interpretation), B3 (Disposal of relevant assets), C1 (Interpretation of Section C) and C7 (Prohibition on discriminating between users) of the electricity transmission licences in the manner specified in the schedule to this document. That modification shall have effect on and from 14 August 2006.

The Official Seal of the Authority here affixed is authenticated by the signature of:

A handwritten signature in black ink, appearing to read "David Gray", is written over a horizontal dotted line. The signature is cursive and extends slightly below the line.

David Gray, Managing Director, Networks
authorised for and on behalf of the Authority

11 August 2006

SCHEDULE 1

Condition A1. Definitions and interpretation

No modifications are proposed to paragraph 1 of this condition, except as shown below:

"authorised electricity operator" means any person (other than the licensee in its capacity as operator of the licensee's transmission system or the GB transmission system) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an interconnector and for the purposes of standard conditions C7 (Prohibition on discriminating between users) to C9 (Functions of the Authority) inclusive shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the GB transmission system across any interconnector (or who has made an application for use of an interconnector which has not been refused).

"use of interconnector" means use of any interconnector for the ~~transfer~~conveyance of electricity (whether in both directions or in only one).

No modifications are proposed to paragraphs 2-5 (inclusive) of this condition.

6. Any reference in these conditions to

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity generation licences;
- (c) a provision of the standard conditions of electricity distribution licences;
- (d) a provision of the standard conditions of electricity supply licences;
- ~~(e) a provision of the standard conditions of electricity interconnector licences,~~

shall, if these standard conditions 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 standard conditions or the other standard conditions in question as modified.

No modifications are proposed to paragraphs 7-11 (inclusive) of this condition.

Condition B3. Disposal of relevant assets

No modifications are proposed to paragraphs 1-4 (inclusive) of this condition.

No modifications are proposed to paragraph 5 of this condition, except as shown below:

"relevant asset"

means any asset for the time being forming part of the GB transmission system ~~or of any interconnector owned or operated by the~~ licensee, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which ~~any~~ either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property).

Condition C1. Interpretation of Section C

No modifications are proposed to paragraph 1 of this condition, except as shown below:

"interconnector(s)"

~~means the electric lines and electrical plant and meters used solely for the transfer of electricity to or from the GB transmission system into or out of Great Britain~~has the meaning given to 'electricity interconnector' in section 4(3E) of the Act.

Condition C7. Prohibition on discriminating between users

No modifications are proposed to paragraphs 1-3 (inclusive) of this condition.

4. The licensee shall not in setting use of system charges restrict, distort or prevent competition in the generation, transmission, supply or distribution of electricity; or in the participation in the operation of an interconnector.

No modifications are proposed to paragraph 5 of this condition.