

**To:**

National Grid Electricity Transmission plc  
Company number 02366977  
1-3 Strand  
London  
WC2N 5EH  
Great Britain

SP Transmission Ltd  
Company number SC189126  
1 Atlantic Quay  
Robertson Street  
Glasgow  
G2 8SP  
Great Britain

Scottish Hydro Electric Transmission plc  
Company number SC213461  
Inveralmond House  
200 Dunkeld Road  
Perth  
Perthshire  
PH1 3AQ  
Great Britain

("the licensees")

**NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989**

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify the electricity transmission licences (each "the licence") held by each of the licensees granted or treated as granted under section 6(1)(b) of the Act by:
  - (a) amending the ET1 Price Control Financial Handbook ("the handbook") that forms part of Special Condition 5A (Governance of ET1 Price Control Financial Instruments); and
  - (b) amending the ET1 Price Control Financial Model ("the PCFM") that forms part of Special Condition 5A.
2. Relevant licence holders for the purposes of this Notice are the holders of electricity transmission licences granted under section 6(1)(b) of the Act which contain Special Condition 5A.
3. The Authority's reasons for proposing the modifications to the handbook are:
  - (a) to make changes required as a consequence of a separately proposed modification to Special Condition 6H (Arrangements for the recovery of uncertain costs) of the electricity transmission licence held by SP Transmission Ltd that will introduce a new adjustment category for uncertain costs relating to non-load related works;
  - (b) to make changes required as a consequence of a separately proposed modification to Special Condition 6H (Arrangements for the recovery of

uncertain costs) of the electricity transmission licence held by Scottish Hydro Electric Transmission plc that will introduce a new adjustment category for uncertain costs relating to exceptional subsea cable faults;

- (c) to ensure that claw back adjustments to tax liability allowances for the licensees include an iterative ('tax allowance on tax allowance') factor; and
  - (d) to make a number of other corrections and clarifications throughout the handbook so that it is fully consistent with the Authority's Final Proposals for the RIIO-ET1 price control.
4. The proposed modifications to the handbook are set out in marked up text in the separate Appendix 1 to this Notice.
5. The Authority's reasons for proposing the modifications to the PCFM are:
- (a) to add new input rows to the PCFM Variable Values Table, as defined in Special Condition 1A (Definitions and interpretation) of the licence, relating to the new adjustment categories referred to in paragraph 3(a) and (b);
  - (b) to ensure that claw back adjustments to tax liability allowances for relevant licence holders include an iterative ('tax allowance on tax allowance') factor; and
  - (c) to make a number of other amendments and corrections to reflect the proposed modifications to the Special Conditions and handbook referred to in paragraph 3.

This is to ensure that correctly calculated values for the term MOD, as used in the formula for Base Transmission Revenue set out in Special Condition 3A (Restriction of Transmission Network Revenue), are produced for the licensees under the Annual Iteration Process for the PCFM.

6. A copy of the PCFM incorporating the proposed modifications is included in the separate Appendix 2 to this Notice. A reference copy of the PCFM (without the proposed modifications) is included in the separate Appendix 3 and a report setting out the changes is included in the separate Appendix 4.
7. The effect of the modifications proposed in this Notice will be to amend the handbook and PCFM to:
- (a) introduce adjustment mechanisms and new PCFM Variable Values relating to:
    - i. non-load related works for SP Transmission Ltd; and
    - ii. exceptional subsea cable faults for Scottish Hydro Electric Transmission plc;
  - (b) ensure that claw back adjustments to tax liability allowances for the licensees include an iterative factor; and
  - (c) apply a range of corrections, clarifications and consequential changes.

These changes are necessary to properly implement the Authority's Final Proposals for the RIIO-ET1 price control.

8. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
9. Any representations on the proposed licence modifications may be made on or before 30 August 2013 to: Anna Kulhavy, Ofgem, 9 Millbank, London, SW1P 3GE or by email to [anna.kulhavy@ofgem.gov.uk](mailto:anna.kulhavy@ofgem.gov.uk).
10. All responses will normally be published on our website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
11. If the Authority decides to make the proposed modifications they will take effect not less than 56 days after the decision is published.

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**Geoffrey Randall**  
**Head of Networks Policy, Electricity Transmission**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**24 July 2013**