

To:

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

("the licensee")

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 licence ("the licence") held by Scottish Hydro Electric Transmission plc granted or treated as granted under section 6(1)(b) of the Act by amending:
 - (a) Special Condition 6H (Arrangements for the recovery of uncertain costs); and
 - (b) Special Condition 1A (Definitions and interpretation).
2. The only relevant licence holder for the purposes of this Notice is Scottish Hydro Electric Transmission plc.
3. The Authority's reasons for proposing the modifications are:
 - (a) to introduce a new adjustment category into the Annual Iteration Process for the ET1 Price Control Financial Model ("PCFM") for the licensee, in respect of uncertain costs relating to an exceptional subsea cable fault as set out in the Authority's Final Proposals for the RIIO-ET1 price control but inadvertently omitted from the licence; and
 - (b) to include a definition for the term "Exceptional Subsea Cable Fault Costs" in the licence.

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 licensee under the Annual Iteration Process for the PCFM. This is necessary so that the Authority's Final Proposals for the RIIO-ET1 price control are properly implemented.

4. The effect of the proposed modifications will be to:
 - (a) introduce an adjustment mechanism and a new PCFM Variable Value for uncertain costs relating to exceptional subsea cable faults; and
 - (b) include a definition for the term "Exceptional Subsea Cable Fault Costs" in the licence.
5. Associated modifications to the ET1 Price Control Financial Handbook and the ET1 Price Control Financial Model, both of which form part of Special Condition 5A (Governance of ET1 Price Control Financial Instruments) of the licence, have been separately proposed by the Authority.

6. The proposed modifications to Special Conditions 6H and 1A are set out in Appendix 1 to this Notice.
7. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
8. 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.
9. 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.
10. 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

Appendix 1 to the Authority's Notice dated 24 July 2013

Proposed modification to Special Condition 1A of the electricity transmission licence held by Scottish Hydro Electric Transmission plc

Paragraph reference	Proposed modification
1A	Insert definition of "Exceptional Subsea Cable Fault Costs" as "means the efficient costs incurred or to be incurred by the licensee for the purposes of repairing exceptional faults that have been caused by third party or environmental damage to any of the subsea cables within the licensee's Transmission System, where those costs cannot be recovered from elsewhere such as the party causing the damage or insurance."

Proposed modification to Special Condition 6H of the electricity transmission licence held by Scottish Hydro Electric Transmission plc

Paragraph reference	Proposed modification
6H.3	Remove "and" at the end of sub-paragraph (b). Replace "." with "; and" at the end of sub-paragraph (c). Insert sub-paragraph "(d)" as "Exceptional Subsea Cable Fault Costs."
6H.9	Insert "set out in paragraph 6H.3 sub-paragraphs (a) to (c) of this condition" between "categories" and "during".
6H.10	Replace "any" with "an" before "uncertain". Insert "set out in paragraph 6H.3 sub-paragraphs (a) to (c) of this condition" after "category" and before "may".
6H.11	Insert ", in relation to an uncertain cost category set out in paragraph 6H.3 sub-paragraphs (a) to (c) of this condition," after "proposals" and before "made".
New paragraph	Insert new paragraph and number 6H.12 "Relevant adjustment proposals, in relation to Exceptional Subsea Cable Fault Cost, as set out in paragraph 6H.3 sub-paragraph (d) of this condition, may be proposed by the licensee or the Authority at any time."
6H.12	Re-number paragraph to 6H.13.
6H.13	Re-number paragraph to 6H.14. Replace "6H.12" with "6H.13".
6H.14	Re-number paragraph to 6H.15. Replace "6H.12" with "6H.13".
6H.15	Re-number paragraph to 6H.16. Replace "6H.14" with "6H.15".
6H.16	Re-number paragraph to 6H.17. Replace "6H.12" with "6H.13".
6H.17	Re-number paragraph to 6H.18.
6H.18	Re-number paragraph to 6H.19. Remove "and" at the end of sub-paragraph (b). Replace "." with "; and" at the end of sub-paragraph (c). Insert sub-paragraph "(d)" as "Exceptional Subsea Cable Fault Costs (IAESSCM values)."
6H.19	Re-number paragraph to 6H.20.
6H.20	Re-number paragraph to 6H.21. Replace "6H.19" with "6H.20".

6H.21	Renumber paragraph to 6H.22.
6H.22	Renumber paragraph to 6H.23. Replace "6H.25" with "6H.27". Replace "uncertain cost categories" with "PCFM Variable Values set out in paragraph 6H.19 sub-paragraphs (a) to (c) of this condition,"
New paragraph	Insert new paragraph and number 6H.24 "6H.24 Subject to paragraph 6H.27 of this condition, a revised PCFM Variable Value determined by the Authority in accordance with the provisions of Part B of this condition in relation to Exceptional Subsea Cable Fault Costs, as set out in paragraph 6H.3 sub-paragraph (d) of this condition, will be directed by the Authority by 30 November in the relevant year following the licensee's application, provided that: (a) the application is received no later than 30 April in the relevant year; and (b) the Authority has not formally notified the licensee no later than 31 July in the relevant year that the application is insufficient for the assessment to be carried out."
6H.23	Renumber paragraph to 6H.25. Insert "s" after "paragraph". Replace "6H.22" with "6H.23". Insert "and 6H.24" after "6H.23".
6H.24	Renumber paragraph to 6H.26. Replace "6H.23" with "6H.25".
6H.25	Renumber paragraph to 6H.27. Replace "6H.24" with "6H.26".
6H.26	Renumber paragraph to 6H.28. Insert "s" after "paragraph". Replace "6H.22" with "6H.23". Insert "and 6H.24" after "6H.23".
6H.27	Renumber paragraph to 6H.29.