

To: All holders of an electricity transmission licence

**Electricity Act 1989
Section 11A(1)(b)**

**MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY
TRANSMISSION LICENCES GRANTED UNDER SECTION 6(1)(b) THE
ELECTRICITY ACT 1989.**

Whereas –

1. Each of the companies to whom this document is addressed (a "Licence Holder") has been granted a licence ("a Licence") under section 6(1)(b) of the Electricity Act 1989 ("the Act") to transmit electricity subject to the conditions contained in its Licence.
2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 19 December 2013 ("the Notice") that it proposed to make modifications to condition A1, A4, B1, C3, C10 and E2 of the Licence and by requiring any representations to the modification to be made on or before 24 January 2014.
3. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.
4. Prior to the close of the consultation period, the Authority received four responses. All non-confidential responses have been placed on the Ofgem website.
5. The Authority has carefully considered in relation to the proposed modification all representations received. Its response to those representations is attached at Schedule 2 to this modification notice.

The Authority will make the following additional modifications to those set out in the Notice:

In relation to paragraph 3 of the Schedule to Appendix 6 of the Notice:

- a) Paragraph 3(m)(aa) will be corrected to refer to a cross reference to 3(a)-3(l)
- b) The reference to 'expenses' will be amended to 'costs' in paragraphs 3(b), 3(c), 3(e), 3(f), 3(h), 3(i) and 3(j);
- c) The reference to 'estimated costs' will be amended to 'costs' in paragraphs 3(a), 3(d), 3(g), 3(k) and 3(l)
- d) The references to 'relevant' proportion will be amended to 'appropriate' proportion in paragraphs 3(a), 3(d), 3(g), 3(k) 3(l) and 3(m)
- e) The definition of 'estimated costs' will be amended to 'costs' in paragraph 6;
- f) The words 'the National Consumer Council' will be removed from the definition of 'costs' in paragraph 6(ii); and
- g) The definition of 'relevant proportion' will be amended to 'appropriate proportion' in paragraph 6.

These additional modifications are set out in red in track changes in Schedule 3 (below).

6. In accordance with section 49A of the Act the Authority gives the following reasons for making the licence modifications: to reflect the changes brought about by the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014.

7. The effect of the modifications will be to:

- a) amend the definition for 'National Consumer Council';
- b) replace any reference to 'the National Consumer Council' with 'Citizens Advice' and/or 'Citizens Advice Scotland';
- c) insert the definition of 'Citizens Advice' and 'Citizens Advice Scotland'; and
- d) recover costs in relation to the transfer of functions from the National Consumer Council to Citizens Advice or Citizens Advice Scotland, as the case may be.

8. Where an application for permission to appeal the Authority's decision is made to the Competition Commission under section 11C of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeals Rules requires that appellant to send notice setting out the matters required in Rule 5.2. The attached Schedule 1 provides a list of the relevant licence holders in relation to this modification direction. The meaning of 'relevant licence holder' is set out in section 11A of the Act.

Now therefore

In accordance with the powers contained in section 11A(1)(b) of the Act, the Authority hereby modifies the standard licence conditions for all electricity transmission in the manner specified in attached Schedule 3. This decision will take effect on and from 22 April.

This document constitutes notice of the reasons for the decision to modify the electricity transmission licences as required by section 49A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**



.....

**Paul Heseltine
Associate Director Finance and Risk Management**

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

24 February 2014

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Schedule 1

Blue Transmission Walney 1 Limited
Blue Transmission Walney 2 Limited
National Grid Electricity Transmission Plc
Scottish Hydro Electric Transmission Plc
SP Transmission Limited
TC Barrow OFTO Limited
TC Gunfleet Sands OFTO Limited
TC Ormonde OFTO Limited
TC Robin Rigg OFTO Limited
Blue Transmission Sheringham Shoal Limited
Blue Transmission London Array Limited
Greater Gabbard OFTO plc

Schedule 2

Response to representations and reasons for any differences between the modifications and those set out in the Notice dated 19 December 2013

Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
Electricity Transmission Licence Condition A4 : Payments to Authority				
National Grid	Appendix 6 and paragraph 3 of the schedule to Appendix 6 Paragraphs 3(b), 3(c), 3(e), 3(f), 3(h), 3(i) and 3(j)	<p>In relation to paragraphs 3(b), 3(c), 3(e), 3(f), 3(h), 3(i) and 3(j) of condition A4 National Grid states:</p> <p>'In our response to the notice dated 21 January 2013 relating to this same condition we requested clarity around the use of the word 'expenses'. Ofgem's response in its modification notice dated 27 March 2013 was that "The word "expenses" has been removed as this was inserted in error and the words "estimated costs" will be retained. "We consider that "estimated costs" remains the appropriate term to use here and so references to "expenses" should be changed accordingly...'</p> <p>'As the terms "relevant proportion" continues to be used in the condition, we consider that for consistency, the term "appropriate proportion" as proposed in the new drafting should be changed to "relevant proportion"...'</p>	<p>We agree that different words have been used interchangeably and consider that this should be addressed.</p> <p>We have amended condition A4 to ensure consistency. References to 'relevant proportion' have been amended to 'appropriate proportion'.</p> <p>In relation to the use of the words 'appropriate proportion' this is consistent with the wording used in the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014</p> <p>In respect of the inconsistency over the use of 'expenses' and 'estimated costs', we agree with National Grid and consider that the</p>	Yes

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Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
			<p>word 'costs' should be used.</p> <p>The definitions of 'costs' and 'appropriate proportion' have been amended to reflect the amendments.</p>	
National Grid	Appendix 6 and paragraph 3 of the schedule to Appendix 6	<p>In relation to paragraph 3(m)(aa) of condition A4, National Grid states:</p> <p>'There is an error in the cross-reference. The cross-reference should be 23(a) to 23(aj)'</p>	Agreed	Yes
National Grid	Appendix 6 and paragraph 3 of the schedule to Appendix 6	<p>In relation to the definition of 'Estimated Costs' set out in paragraph 6, sub-paragraph (ii) of condition A4, National Grid states:</p> <p>'As these amendments are to come into effect on 1 April 2014 we do not consider that there should be any estimated costs for the National Consumer Council in 2014/15 or any following period as the body will have been abolished. As such, we would suggest that the reference to "The National Consumer Council" is deleted.</p>	<p>We agree that the words National Consumer Council can be removed from the definition.</p> <p>The costs associated with the National Consumer Council once it is abolished will fall to the Secretary of State. These will be recovered in accordance with the provisions set out in condition A4 reflecting the amendments of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014</p>	Yes

Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
		It would seem more appropriate for the substitution to be "Citizens Advice and/or Citizens Advice Scotland" as the costs of both bodies may be relevant in certain circumstances.'	This wording is consistent with the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014	No
Licence Fee Cost Recovery Principles Document				
Scottish Power	Appendix 9	We notice that there are still a few references made within the Licence Fee Principles Document to energywatch, which was abolished in 2008 and replaced with the National Consumer Council. We wonder if, for completeness, it would be appropriate to change any such references to energywatch within the principles document.	Under the Consumers, Estate Agents and Redress Act 2007, the Utilities Act 2000 was amended to include a reference to the recovery of the expenses of the Secretary of State which relate to the abolition of the Gas and Electricity consumer Council (energywatch). This amendment is still extant and is therefore retained in paragraph 3(d) of the Standard Licence Condition and in the licence fee principles.	No
Scottish Power	Appendix 9	We note that the principles refer to the 'appropriate proportion' of expenses in certain cases, whereas the licence conditions specifically refer to the Relevant Proportion. It is not clear what, if any, difference exists between these terms. It would be helpful if Ofgem could clarify its intentions here.	We agree that different words have been used interchangeably and consider that this should be addressed. We have amended the licence fee cost	Yes

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Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
			recovery principles document and condition A4 of the Licence to ensure consistency. References to 'relevant proportion' have been amended to 'appropriate proportion'.	
UK Power Networks	Appendix 9	In appendix 9 (Licence Fee Cost Recovery Principles), footer number 1 on page 7 (penultimate bullet) is in the wrong place. The footer expands on "appropriate proportion" but currently cross references to a paragraph on "appropriate proportion". We believe it should be linked to the first full bullet on page 9 (starting "the appropriate proportion of the expenses of Citizens Advice...")	Footer number 1 is referencing to a paragraph on 'appropriate proportion'. We do agree that the footnote number should be linked to the first bullet.	Yes
National Grid	Appendix 9, Paragraph 1.2	<p>In appendix 9 (Licence Fee Cost Recovery Principles), paragraph 1.2, amendments were suggested in red to reflect the relevant cross-references:</p> <p>Under the Standard Licence Condition (SLC) entitled 'Payments by Licensee to the Authority' (SLC 3 in gas transportation licences and SLC A4 in electricity transmission licences) and SLC 5 'Licensee's payments to the Authority' in the electricity distribution licences), the amount to be paid annually by the licensee is a 'relevant proportion' of the amounts specified in paragraphs 2(a)-2(g) of the gas transportation SLCs, paragraphs 3(a) - 3(l) of the electricity transmission SLCs, paragraphs 5.1(a) -5.1(g) of the electricity distribution SLC; and an adjustment by reference to the</p>	We agree with the amendments relating to cross-references, suggested in red.	Yes

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Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
		actual costs of the previous year in paragraph 2(km) of the gas transportation, paragraph 3(m) of the electricity transmission SLCs, and paragraph 5.1(km) of the electricity distribution SLC.		
National Grid	Appendix 9	The financial year referred to in the second to last line should refer to 2014-15 rather than 2013-14.	Agreed	Yes

Schedule 3

Standard Condition A1, A4, B1, C3, C10 and E2 of each Electricity Transmission licence is modified in the manner set out in paragraph 1 to 8 of this Schedule 3.

1. In Standard Condition A1: Definitions and interpretation, paragraph 1 in the definition of "National Consumer Council" at the end add 'in the version before it was substituted by paragraph 12 of Part 1 (Amendments to Acts) of Schedule 1 of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014.'
2. In Condition A1: Definitions and interpretation, paragraph 1 after the definition of "BSC party" and before the definition of "Codes" insert:

"Citizens Advice" means the National Association of Citizens Advice Bureaux.

"Citizens Advice Scotland" means the Scottish Association of Citizens Advice Bureaux.

3. In respect of Standard Condition A4: Payments by Licensee to the Authority, the proposed insertions are shown underlined and the proposed deletions are crossed through as follows:

Condition A4: Payments by Licensee to the Authority

1. This condition applies where the licensee has been issued with a Section C (system operator standard conditions) Direction which is still in effect.
2. Where Paragraph 1 applies, the licensee shall, at the times stated, pay to the Authority such amounts as are determined by or under this condition.
3. In respect of each relevant year at the beginning of which the licensee holds this licence, the licensee shall pay to the Authority the aggregate of:

(a) an amount which is the relevant appropriate proportion of the estimated costs of the Authority during the year in question;

~~(b) an amount which is the relevant proportion of the estimated costs of the National Consumer Council during the year in question (including expenses which relate to its establishment but not expenses within paragraph (d)) that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;~~

~~(c) an amount which is the relevant proportion of the estimated costs of the Secretary of State which relate to the establishment of the~~

~~National Consumer Council during the year in question that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;~~

(b) the appropriate proportion of the ~~expenses-costs~~ of Citizens Advice (including expenses relating to taking on functions transferred from the National Consumer Council but not including expenses within paragraph (e));

(c) the appropriate proportion of the ~~expenses-costs~~ of Citizens Advice Scotland (including expenses relating to taking on functions transferred from the National Consumer Council but not including expenses within paragraph (f));

(d) an amount which is the ~~relevant~~ appropriate proportion of any ~~estimated~~ costs of the National Consumer Council, the Secretary of State or the Gas and Electricity Consumer Council during the year in question which relate to a transfer scheme made in respect of the Gas and Electricity Consumer Council under section 35(2)(a) or (7) of the Consumers, Estate Agents and Redress Act 2007;

(e) the appropriate proportion of the ~~expenses-costs~~ of Citizens Advice which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;

(f) the appropriate proportion of the ~~expenses-costs~~ of Citizens Advice Scotland which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;

(g) an amount which is the ~~relevant~~ appropriate proportion of the ~~estimated~~ costs of the Secretary of State which relate to the abolition of the Gas and Electricity Consumer Council during the year in question;

(h) the appropriate proportion of the ~~expenses-costs~~ of the Secretary of State which relate to the abolition of the National Consumer Council and the transfer of functions to Citizens Advice and Citizens Advice Scotland;

(i) the appropriate proportion of the ~~expenses~~ ~~costs~~ of the Secretary of State which relate to the transfer of functions and the conferring of functions on Citizens Advice and Citizens Advice Scotland by the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014 (S.I. 2014/...);

(j) the appropriate proportion of the ~~expenses~~ ~~costs~~ of the Secretary of State which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;

(k) an amount which is the ~~relevant~~ appropriate proportion of the ~~estimated~~ costs of the Citizens Advice or Citizens Advice Scotland on, or in connection with, the support of any qualifying public consumer advice scheme that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;

(l) an amount that is the ~~relevant~~ appropriate proportion of the ~~estimated~~ costs of the Secretary of State during the year in question in respect of -

(i) payments made by the Secretary of State by virtue of paragraph 4(2) or (2A) of Schedule 7 to the Act (payments relating to meter examiners);

(ii) any other costs incurred by the Secretary of State in performing functions conferred by Schedule 7 to the Act or by electricity meter regulations (as defined in section 95(5) of the Energy Act 2008); and

(m) an amount which is the ~~relevant~~ appropriate proportion of the difference (being a positive or negative amount), if any, between:

(aa) any costs estimated by the Authority in the previous relevant year under sub-paragraphs ~~23~~(a) to ~~23~~(g); and

(bb) the actual costs of the Authority, the National Consumer Council, Citizens Advice or Citizens Advice Scotland, as the case may be, and the Secretary of State (~~including Citizens~~

~~Advice or Citizens Advice Scotland~~) for the previous relevant year.

4. The amounts determined in accordance with paragraph 3 shall be paid by the licensee to the Authority in two instalments, with:
 - (a) the first instalment being due for payment by 30 June in each relevant year; and
 - (b) the second instalment being due for payment by 31 January in each relevant year

provided that, in each case, if the Authority has not given notice of the amount of the instalment due at least 30 days before the payment date stated above, the licensee shall pay the amount due within 30 days from the actual giving of notice by the Authority to the licensee (whenever notice is given).

5. If the licensee fails to pay the amount determined in accordance with paragraph 3 within 30 days of the payment date determined in accordance with paragraph 4, it shall with effect from that date pay simple interest on that amount at the rate which is from time to time equivalent to the base rate of NatWest Bank plc or, if there is no such base rate, such base rate as the Authority may designate for the purposes hereof.
6. In this condition:

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“~~estimated~~ costs”

means costs estimated by the Authority as likely to be or have been:

the costs of-

- (i) the Authority calculated in accordance with principles determined by the Authority for the purposes of this condition generally (after consultation with the licensee and others likely to be affected by the application of such principles) and notified to the licensee;
- (ii) ~~the National Consumer Council, and~~ Citizens Advice or Citizens Advice Scotland, as the case may be; and
- (iii) the Secretary of State (~~including Citizens Advice or Citizens Advice Scotland~~).

“~~relevant~~ appropriate proportion”

means the proportion of the costs attributable to the licensee in accordance with principles determined by the Authority for the purposes of this condition generally (after consultation with the licensee and others likely to be affected by the application of those principles) and notified to the licensee; and

“relevant year”

means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

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4. In Standard Condition B1: Regulatory Accounts, (Part G: Publication and provision of regulatory accounts) paragraph 20(a) substitute 'the National Consumer Council' with 'Citizens Advice and Citizens Advice Scotland'.
5. In Standard Condition C3: Balancing and Settlement Code (BSC) paragraph 1(f)(ii) substitute 'the National Consumer Council' with 'Citizens Advice or Citizens Advice Scotland'.
6. In Standard Condition C10: Connection and Use of System Code (CUSC) paragraph 2(f)(ii) substitute 'the National Consumer Council' with 'Citizens Advice or Citizens Advice Scotland'.
7. In Standard Condition C10: Connection and Use of System Code (CUSC) paragraph 6(a)(ii) substitute 'the National Consumer Council' with 'Citizens Advice, Citizens Advice Scotland'.
8. In Standard Condition E2: Regulatory Accounts, (Part D: Publication of regulatory accounts) paragraph 11(a) substitute 'the National Consumer Council' with 'Citizens Advice and Citizens Advice Scotland (or any successor entity), '.