

ANNEX 1 – DRAFT STANDARD LICENCE CONDITION AND ADDITIONAL LICENCE CHANGES

This annex contains a set of changes the Government proposes to make to the licences held by National Grid, SHETL and SPT.

These are:

- New Standard Licence Condition B [x] regarding Grid Access Reform Implementation by National Grid and the Scottish TOs
- New Standard Licence Condition C [x] for National Grid
- New Standard Licence Condition D[x] for the Scottish Transmission Owners
- Changes to B12: System Operator-Transmission Owner code
- Changes to C5: Use of system charging methodology
- Changes to C17: Transmission system security standard and quality of service
- Changes to D3: Transmission system security standard and quality of service

NEW IMPLEMENTATION SLC FOR TRANSMISSION LICENCE

CONDITION [B][x]: CONNECT AND MANAGE IMPLEMENTATION

DELETE ENTIRE CONDITION

1.

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(a)

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(b)

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(c)

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Deleted: The licensee shall take such steps and do such things as are within its power and as are necessary or appropriate in order to give full and timely effect to all modifications made by the Secretary of State pursuant to sections 84 to 86 of the Energy Act 2008 to

Deleted: this licence

Deleted: the CUSC

Deleted: the STC

Deleted: which shall be for the purpose of facilitating connect and manage connections to the national electricity transmission system, which are dependent upon completion on the national electricity transmission system of enabling works but not on completion of wider works

Deleted: From the connect and manage implementation date to the end of the connect and manage transition period, the licensee shall treat all modifications made by the Secretary of State pursuant to sections 84 to 86 of the Energy Act 2008 as fully effective

Deleted: The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition

Deleted: This condition shall cease to have affect at the end of the connect and manage transition period

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NGET: NEW SLC FOR SECTION C OF TRANSMISSION LICENCE

CONDITION C[x]: REQUIREMENTS OF A CONNECT AND MANAGE CONNECTION

[Note: definitions used only in this condition to be moved to end of this condition; definitions used elsewhere in licence to be inserted into A1 or C1 as appropriate]

“connection date”

means the date on which a connect and manage applicant is to be connected to the national electricity transmission system; **[N.B. SEE CONSULTATION RESPONSE FOR REASONING FOR THIS CHANGE.]**

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“connect and manage applicant”

means a person seeking connect and manage connection by submitting a connect and manage application to the licensee;

“connect and manage application”

means an application from a connect and manage applicant for connection or for modification to an existing connection after the connect and manage implementation date;

“connect and manage connection”

means the connection or modification of an existing connection of a connect and manage applicant to the national electricity transmission system or distribution system, that is dependent upon completion on the national electricity transmission system of enabling works but not on completion of wider works; **[N.B. REPLACE “WHICH” WITH “THAT” AS WORDS FOLLOWING IDENTIFY, RATHER THAN DESCRIBE THE SORT OF CONNECTION DEFINED]**

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“connect and manage implementation date”

means the date which the Secretary of State indicates in a direction shall be the connect and manage implementation date;

“connect and
manage offer”

means an offer from the licensee to a connect and
manage applicant for a connect and manage
connection pursuant to this condition;

“connect and
manage
derogation”

means a temporary derogation, by reference to the
connect and manage derogation criteria, from
paragraph 1 of standard condition C17 (Transmission
system security standard and quality of service) in
respect of Chapter 2 and/or Chapter 4 of the National
Electricity Transmission System Security and Quality
of Supply Standard (or such other standard of
planning and operation as the Authority may approve
from time to time and with which the licensee may be
required to comply) which is necessary to make a
connect and manage offer where failure to complete
wider works before the connection date shall render
the national electricity transmission system non-
compliant with such planning and operation standards
(the connect and manage derogation to be applicable
only until completion of the wider works to which the
derogation relates); **[N.B. CHANGES PROPOSED**
FOR CLARITY AND CONSISTENCY OF STYLE
WITH DRAFTING OF THE REST OF THE
LICENCE.]

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“connect and
manage
derogation
criteria”

means the criteria detailed in the CUSC by reference
to which the licensee shall determine whether a
connect and manage derogation is necessary and
appropriate in order to facilitate a connect and
manage connection; **N.B. CHANGES PROPOSED**
FOR CLARITY AND CONSISTENCY OF STYLE
WITH DRAFTING OF THE REST OF THE
LICENCE.]

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“connect and
manage
derogation
report”

means the report submitted to the licensee by another
transmission licensee which identifies and seeks to
justify a connect and manage derogation by reference
to the connect and manage derogation criteria;

“connect and manage transferee” means persons who have accepted an interim connect and manage offer but who have not yet been connected to the national electricity transmission system as at the connect and manage implementation date;

“connect and manage transition period” means the period ending 6 months after the connect and manage implementation date;

“enabling works” means the minimum transmission reinforcement works required to be completed on the national electricity transmission system to permit the connect and manage applicant access to the national electricity transmission system, where such works are defined in the manner provided for in the CUSC and identified in the construction agreement; **J.N.B.**
WORDS DELETED BECAUSE THE WORKS IN QUESTION DO NOT PERMIT ACCESS TO THE DISTRIBUTION SYSTEM.]

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“interim connect and manage offer” means an offer for connection from the licensee pursuant to the interim connect and manage framework in place between May 2009 and the connect and manage implementation date;

“transmission constraint costs” means those costs resulting from the licensee’s management of transmission constraints, as that term is defined in standard condition C16 (Procurement and use of balancing services);

“wider works”

means those transmission reinforcement works which are not required to be completed prior to the connection date but are necessary to reinforce or extend the national electricity transmission system to make it compliant with the terms of the National Electricity Transmission System Security and Quality of Supply Standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply in accordance with standard condition C17 (Transmission system security standard and quality of service)), where such works are defined in the manner provided for in the CUSC and identified in the construction agreement;

[N.B. NUMBERING HAS GONE AWRY]

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5. On receipt of a connect and manage application on or after the connect and manage implementation date from a connect and manage applicant the licensee shall comply with standard condition C8 (Requirement to offer terms) ~~in so doing~~ shall comply also with the requirements of this condition. **[N.B. WORDS DELETED BECAUSE THEY DO NOT ADD ANYTHING AND MAY CAUSE CONFUSION – THE SCOPE OF THIS OBLIGATION IS MADE CLEAR BY THE FACT THAT IT RELATES ONLY “ON RECEIPT OF A CONNECT AND MANAGE APPLICATION”.]**

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6. In making a connect and manage offer to a connect and manage applicant on or after the connect and manage implementation date, the licensee shall:
- (a) provide that the connection date shall be on completion of the enabling works identified by it or other transmission licensees in accordance with any associated TO offer;
 - (b) determine by reference to the connect and manage derogation criteria whether:
 - (i) a connect and manage derogation is required; or
 - (ii) when in receipt of a connect and manage derogation report, to exercise its power as system operator to reject the connect and manage derogation identified therein,

in accordance with standard condition C17 (Transmission system security standard and quality of service);

- (c) ensure that any use of system charges to be imposed on a connect and manage applicant pursuant to standard condition C5 (Use of system charging methodology) shall not be payable until the connection date; **[N.B. WORDS DELETED BECAUSE THE POINT IS COVERED BY PARAGRAPH 9.]**

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7. **[N.B. SEE CONSULTATION RESPONSE FOR REASONING FOR THIS CHANGE.]**

Deleted: The licensee shall use all reasonable endeavours to complete the enabling works identified as required on the licensee's transmission system in relation to a connect and manage application in a timescale which allows for connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date

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8. The licensee shall use all reasonable endeavours to complete the wider works identified as required on the licensee's transmission system in relation to a connect and manage application as soon as reasonably practicable (unless otherwise agreed with the connect and manage applicant). On completion of the wider works, any applicable connect and manage derogation shall cease to have effect. **[N.B. IT IS NOT CLEAR WHY THE APPLICANT WOULD HAVE AN INTEREST IN THIS OR HOW IT WOULD WORK IN PRACTICE.]**

9. The licensee shall use all reasonable endeavours to ensure that in its application of the use of system charging methodology in accordance with standard condition C5 (Use of system charging methodology), use of system charges resulting from transmission constraints costs arising as a result of making connect and manage connections are treated by the licensee such that the effect of their recovery is shared on an equal per MWh basis by all parties liable for use of system charges. **[N.B. SEE CONSULTATION RESPONSE FOR REASONING FOR THESE CHANGES.]**

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10. The licensee shall use all reasonable endeavours to ensure that:

- (a) persons seeking a connection offer other than through a connect and manage application; or *
- (b) persons already connected pursuant to connection agreements terms offered prior to the connect and manage implementation date, *

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are not disadvantaged without objective justification as a result of connect and manage connection. **[N.B. SEE CONSULTATION RESPONSE FOR REASONING FOR THESE CHANGES.]**

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11. The licensee shall automatically make an offer to vary the connection agreement of connect and manage transferees from their existing terms so that their connection agreements are consistent with a connect and manage offer, as soon as reasonably

practicable from the connect and manage implementation date and in any event by the end of the connect and manage transition period. The terms of such offers to vary connection agreements shall be no less advantageous to the connect and manage transferee than those contained in the existing offer the licensee has made or agreement the licensee has entered into with the connect and manage transferee.

SCOTTISH TOs: NEW SLC FOR SECTION D OF TRANSMISSION LICENCE

**CONDITION D[x]: REQUIREMENTS OF A CONNECT AND MANAGE
CONNECTION**

*[Note: definitions used only in this condition to be moved to end of this condition;
definitions used elsewhere in licence to be inserted into A1]*

[N.B. AMENDMENTS BELOW, UNLESS STATED, INSERTED FOR CONSISTENCY WITH
COMMENTS ON CONDITION C[X]: PLEASE SEE CONSULTATION RESPONSE IN
RELATION TO THAT CONDITION FOR THE REASONING BEHIND THESE CHANGES.]

“connect and manage applicant”	means a person seeking connect and manage connection by submitting a connect and manage application to the system operator;
“connect and manage application”	means an application from a connect and manage applicant for connection or for modification to an existing connection after the connect and manage implementation date;
“connect and manage connection”	means the connection or modification of an existing connection of a connect and manage applicant to the national electricity transmission system or distribution system, that is dependent upon completion on the national electricity transmission system of enabling works but not on completion of wider works;
“connect and manage implementation date”	means the date which the Secretary of State indicates in a direction shall be the connect and manage implementation date;
“connect and manage offer”	means an offer from the system operator to a connect and manage applicant for a connect and manage connection;

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“connect and
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derogation”

means a temporary derogation, by reference to the connect and manage derogation criteria, from paragraph 1 of standard condition D3 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 of the National Electricity Transmission System Security and Quality of Supply Standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply) which is necessary to enable the system operator to make a connect and manage offer where failure to complete wider works before the connection date shall render the national electricity transmission system non-compliant with such planning and operation standards (the connect and manage derogation to be applicable only until completion of the wider works to which the derogation relates);

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“connect and
manage
derogation
criteria”

means the criteria detailed in the STC by reference to which the licensee, and affected STC parties (if any), shall determine whether a connect and manage derogation is necessary and appropriate in order to facilitate a connect and manage connection;

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“connect and
manage
derogation
report”

means the report submitted by the licensee to the system operator which identifies and seeks to justify a connect and manage derogation by reference to the connect and manage derogation criteria;

“connect and
manage
transferee”

means persons who have accepted an interim connect and manage offer but who have not yet been connected to the national electricity transmission system as at the connect and manage implementation date;

“enabling works”

means the minimum transmission reinforcement works required to be completed on the national electricity transmission system to permit the connect and manage applicant access to the national electricity transmission system, where such works are defined in the manner provided for in the STC;

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“wider works”

means the transmission reinforcement works which are not required to be completed prior to the connection date but are necessary to reinforce or extend the national electricity transmission system to make it compliant with the terms of the National Electricity Transmission System Security and Quality of Supply Standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply in accordance with standard condition D3 (Transmission system security standard and quality of service)), where such works are defined in the manner provided for in the STC;

[N.B. NUMBERING HAS GONE AWRY]

12. On notification by the system operator of receipt by it on or after the connect and manage implementation date of a connect and manage application in accordance with paragraph 1 of standard condition C[x] (Requirements of a connect and manage connection of the System Operator's Electricity Transmission Licence), **[N.B. WORDS ADDED FOR CLARITY AND BECAUSE CONDITION C[x] WILL NOT FORM PART OF SCOTTISH TOs OBLIGATIONS]** the licensee shall comply with standard condition D4A (Obligations in relation to offers for connection etc) and in so doing shall also comply with the requirements of this condition.

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13. When offering to enter into an agreement with the system operator (in accordance with paragraph 1 of standard condition D4A (Obligations in relation to offers for connection etc)) in respect of a connect and manage application on or after the connect and manage implementation date, the licensee shall:
- (a) determine whether a connect and manage derogation is required for the connect and manage connection; and

(b) where the licensee concludes a connect and manage derogation is required, submit a connect and manage derogation report to the system operator in accordance with standard condition D3 (Transmission system security standard and quality of service), together with the TO offer.

14. The licensee shall use all reasonable endeavours to complete the enabling works identified as required on the licensee's transmission system in relation to a connect and manage application in a timescale which allows for connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date, as notified to the licensee by the system operator.

15. The licensee shall use all reasonable endeavours to complete the wider works identified as required on the licensee's transmission system in relation to a connect and manage application as soon as reasonably practicable (unless otherwise agreed with the system operator). On completion of the wider works, any applicable connect and manage derogation shall cease to have effect;

16. The licensee shall cooperate and coordinate with the system operator and other STC parties as necessary in order to facilitate the system operator's obligation to make offers to connect and manage transferees to vary their connection agreements so that their terms are consistent with a connect and manage offer.

17. The licensee shall use all reasonable endeavours to ensure that:

(a) ~~persons seeking connection other than through a connect and manage application in respect of whom the licensee makes a TO offer to the System Operator;~~ or

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(b) ~~persons already connected pursuant to prior to the connect and manage implementation date,~~

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are not disadvantaged without objective justification as a result of connect and manage connection.

Condition B12: System Operator – Transmission Owner Code

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1. The licensee shall, in common with those other transmission licensees to which this condition applies, at all times have in force a STC, being a document which:

- (a) sets out terms as between STC parties whereby the national electricity transmission system and each STC party's transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;

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(b) is designed to facilitate achievement of the objectives set out in paragraph 3;

(c) includes the amendment procedures required by paragraph 6; and

(d) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC.

The licensee shall be taken to comply with this paragraph by:

- (i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect, the document designated by the Secretary of State for the purposes of this condition; and

(ii) amending such document from time to time in accordance with the transition modification provisions and the provisions of paragraphs 6 and 7 below.

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2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the national electricity transmission system and each STC party's transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided are those which:

- (a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees and STC parties arising under any relevant licences codes or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and

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(b) provide for matters which include:

- the provision of transmission services,
- the operation, including the configuration, of the national electricity transmission system,

- the co-ordination of the planning of STC parties' transmission systems,
- the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),
- planning for, and co-ordination of, transmission outages,
- procedures for developing, agreeing and implementing party entry processes,
- the resolution of disputes,
- the exchange of information between STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences and other relevant statutory obligations,
- procedures to enable the system operator to produce information about the national electricity transmission system in accordance with standard condition C11 (Production of information about the national electricity transmission system), and
- procedures established in pursuance of paragraph 6.

Nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

2. The objectives of the STC referred to in sub-paragraph 1(b) are the:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
- (b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;
- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
- (d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees; and

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(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;

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(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system.

2. The STC shall provide for:

(a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC; and

(b) a copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy.

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2. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.

3. The STC shall include procedures for its own amendment (including procedures for the amendment of the amendment procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:

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(a) for proposals for amendment of the STC to be made by any of the STC parties or such other persons or bodies as the STC may provide;

(b) where such a proposal is made:

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(i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;

(ii) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;

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(iii) for the preparation by the STC Committee of an assessment of the likely impact of the proposal on each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning any STC party or STC party's transmission system, such assessment shall be made on the basis of the STC Committee's proper assessment (which that STC Committee shall make available for these purposes) of the impact of the proposal on each STC party's transmission system;

| (iv) for properly evaluating whether the proposed amendment would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the STC Committee requires information which is not generally available concerning another any STC party or STC party's transmission system or the national electricity transmission system, such evaluation shall be made on the basis of the STC Committee's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed amendment on the matters referred to in paragraph 3;

| (v) for development of any alternative amendment which may, as compared with the proposed amendment, better facilitate achieving the applicable STC objectives;

| (vi) for the preparation of a report on behalf of the STC parties which includes the following:

- the proposed amendment and any alternative;
- an evaluation of the proposed amendment and any alternative;
- an assessment of the extent to which the proposed amendment or any alternative would better facilitate achieving the applicable STC objectives;
- to the extent practicable, an assessment of the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed amendment;
- an assessment of the impact of the amendment on the core industry documents and the changes expected to be required to such documents as a consequence of the amendment;
- to the extent practicable, the inclusion in the report of a recommendation or recommendations being the combined views of the STC parties concerning the amendment and any alternative and, where a combined view is not practicable, setting out the views of each STC party;
- a timetable for implementation of the amendment and any alternative, including the date with effect from which such amendment (if made) is to take effect; and

- (vii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the amendment) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);
- (c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any amendment to be such as will enable the amendment to take effect as soon as practicable after the Authority has directed such amendment to be made, account being taken of the complexity, importance and urgency of the amendment, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted; and
- (d) for separate processes for the amendment of STC procedures and the schedule listing the STC procedures in force from time to time and which otherwise forms a part of the STC to those for the amendment of other parts of the STC set out in sub-paragraphs (a) to (c) above and paragraph 7.

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- (a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vii), and the Authority is of the opinion that an amendment set out in such report would, as compared with the then existing provisions of the STC and any alternative amendments set out in such report, better facilitate achieving the applicable STC objectives, the Authority may direct the system operator to make that amendment on behalf of the STC parties and the system operator shall provide a copy of the direction to all other STC parties.

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(b) The system operator, on behalf of the STC parties, shall only amend the STC:

- (i) in order to comply with any direction of the Authority pursuant to sub-paragraph (a); or

- (ii) in order to comply with any direction from the Secretary of State to do so, so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period; or

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- (iii) with the consent of the Authority,

and it shall not have the power to amend the STC in any other circumstance; and the system operator shall furnish the Authority with a copy of any amendment made.

(c) Only the system operator shall have the power to amend the STC.

(d) The system operator shall ensure that a copy of any direction of the Authority pursuant to sub-paragraph (a) is made available to each STC party, including by way of publication.

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(e) The system operator shall ensure that the other STC parties are furnished with a copy of any amendment so made.

3. The system operator shall prepare and publish a summary of the STC as amended or changed from time to time in such form and manner as the Authority may from time to time direct.

4. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.

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5. The STC Framework Agreement shall contain provisions:

(a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and

(b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.

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6. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any amendment which has been made to the STC.

7. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for amendment set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in

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consequence of any change which has been made to the core industry documents (other than the Grid Code).

8. For the avoidance of doubt, paragraphs 11 and 12 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.

9. The licensee shall comply with any direction to the licensee made pursuant to this condition.

10. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the national electricity transmission system or to such extent as may be specified in the direction.

11. In this condition:

"applicable STC objectives"

means:

(a) in relation to a proposed amendment of the amendment procedures, the requirements of paragraph 6 (to the extent that they do not conflict with the objectives set out in paragraph 3); and

(b) in relation to any other proposed amendment, the objectives set out in paragraph 3.

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"party entry processes"

means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.

"STC Committee"

means the committee established by STC parties in accordance with the provisions of the STC.

"STC procedures"

means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.

"transition modification provisions"

means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances.

Condition C5: Use of system charging methodology

1. The licensee shall, for the purpose of ensuring that the use of system charging methodology achieves the relevant objectives, keep the use of system charging methodology at all times under review.
2. The licensee shall, subject to paragraph 3, make such modifications of the use of system charging methodology as may be requisite for the purpose of better achieving the relevant objectives.
3. Except with the consent of the Authority, before making a modification to the use of system charging methodology, the licensee shall:
 - (a) consult the CUSC users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
 - (b) send a copy of the terms of the proposed modification to any person who asks for them;
 - (c) furnish the Authority with a report setting out:
 - (i) the terms originally proposed for the modification;
 - (ii) the representations (if any) made to the licensee;
 - (iii) any change in the terms of the modification intended in consequence of such representations;
 - (iv) how the intended modification better achieves the relevant objectives; and
 - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph 4 expires; and
 - (d) where the Authority has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Authority may specify in the direction.
4. The licensee will not make any modification to the use of system charging methodology if, within 28 days of the report being furnished to it under paragraph 3 (for the avoidance of doubt, including any report furnished from 10 June 2009), the Authority has either:
 - (a) directed the licensee that the modification shall not be made; or

- (b) notified the licensee that it intends to undertake an impact assessment and then, within three months of giving that notification, has directed the licensee not to make the modification.

5. In paragraphs 1, 2 and 3 "the relevant objectives" shall mean the following objectives:

- (a) that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

- (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, ~~the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses in accordance with the obligation set out in paragraph [] of standard condition C[x] (Requirements of a connect and manage connection); and~~ **[N.B. SEE CONSULTATION RESPONSE FOR REASONING FOR THESE CHANGES.]**

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- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.

6. The licensee shall send a copy of any report furnished under paragraph 3 to any person who asks for any such report.

7. The licensee may make a charge for any report sent pursuant to paragraph 6 of an amount reflecting the licensee's reasonable costs of providing such report which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

8. Nothing in this condition shall impact on the application of special conditions AA5A to AA5E (Revenue restriction provisions).

Condition C17: Transmission system security standard and quality of service

[N.B. SEE CONSULTATION RESPONSE FOR COMMENTS ON THE APPROPRIATENESS OF THE VETO PROVISIONS CONTAINED IN THE CONDITION]

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18. Subject to paragraphs 19, 20 and 21 of this condition, the licensee shall at all times:

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- (a) plan, develop and operate the licensee's transmission system; and
- (b) co-ordinate and direct the flow of electricity onto and over the national electricity transmission system,

in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2, together with the STC, the Grid Code or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby).

19. Before making a connect and manage offer in accordance with standard condition C[x] (Requirement of a connect and manage connection), the licensee shall determine whether, in connecting that connect and manage applicant as a result of the acceptance of that connect and manage offer, it would comply with paragraph 1 of this condition at the connection date. If the licensee determines that making a connect and manage offer would lead it not complying with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether a connect and manage derogation is required and appropriate and produce a connect and manage derogation report thereon. **[N.B. IT IS NOT CLEAR WHAT IS ADDED BY THE WORD "APPROPRIATE" – SUGGEST IT IS DELETED TO AVOID CONFUSION : THE CRITERIA OUGHT TO DETERMINE NOT ONLY "COULD" BUT ALSO "SHOULD" A DEROGATION APPLY.]**

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20. Where a connect and manage derogation report is submitted to the licensee by another transmission licensee in respect of an associated TO offer, the licensee shall:

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- (a) determine whether the connect and manage derogation detailed in the connect and manage derogation report satisfies the connect and manage derogation criteria;
- (b) respond to the relevant transmission licensee within 90 days of receiving the connect and manage derogation report to reject the connect and manage derogation in the event the licensee determines that the connect and manage derogation criteria are not satisfied (the licensee shall be deemed to have approved the report on the expiry of that 90 day period).

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21. Where the licensee determines that a connect and manage derogation is required to enable it to make a connect and manage offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed. **[N.B. AMENDMENT PROPOSED BECAUSE IT CANNOT BE INTENDED THAT DEROGATION PROVIDES TOTAL RELIEF FROM OBLIGATION TO COMPLY WITH NETS SQSS.]**

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22. The licensee shall at all times have in force a statement approved by the Authority following consultation with any relevant authorised electricity operator setting out criteria by which system availability, security and service quality of the national electricity transmission

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system may be measured and where such measurement is dependent on information provided to the licensee by a transmission owner, the statement shall specify the information to be so provided.

- | 23. The licensee shall within 4 months after the end of each financial year submit to the Authority a report providing details of system availability, security and service quality of the national electricity transmission system during the previous financial year against the criteria referred to in paragraph 2 of this condition and shall publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.
- | 24. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system or the national electricity transmission system and to such extent as may be specified in the directions. [N.B. APPROPRIATE AND TIME-LIMITED VETO RIGHTS IN FAVOUR OF THE AUTHORITY IN RELATION TO SELF DEROGATIONS SHOULD BE INSERTED HERE]
- | 25. The licensee shall give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
- | 26. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.
- | 27. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition D3: Transmission system security standard and quality of service

[N.B. SEE CONSULTATION RESPONSE FOR COMMENTS ON THE APPROPRIATENESS OF THE VETO PROVISIONS REFERRED TO IN THIS CONDITION]

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28. Subject to paragraphs 29 and 30 of this condition, the licensee shall at all times plan and develop the licensee's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2, together with the STC or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorized electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system.

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29. Before making a TO offer to the system operator in accordance with standard condition D[x] (Requirements of a connect and manage connection), the licensee shall

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- (a) determine whether, in connecting that connect and manage applicant as a result of the acceptance of a connect and manage offer based on that TO offer, it would comply with paragraph 1 of this condition at the connection date;

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- (b) if the licensee determines that making a TO offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether a connect and manage derogation is required and appropriate; [N.B. IT IS NOT CLEAR WHAT IS ADDED BY THE WORD "APPROPRIATE" – SUGGEST IT IS DELETED TO AVOID CONFUSION : THE CRITERIA OUGHT TO DETERMINE NOT ONLY "COULD" BUT ALSO "SHOULD" A DEROGATION APPLY.]

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- (c) where the licensee has determined that a connect and manage derogation is identified, submit a connect and manage derogation report to the system operator within 70 days of the date of receipt by the system operator of the relevant connect and manage application, together with the associated TO offer.

30. Where the licensee determines that a connect and manage derogation is required to enable it to make a TO offer as regards a connect and manage application, and the system operator has not responded to reject it within 90 days of submission of the connect and manage derogation report, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed. [N.B. AMENDMENT PROPOSED BECAUSE IT CANNOT BE INTENDED THAT DEROGATION PROVIDES TOTAL RELIEF FROM OBLIGATION TO COMPLY WITH NETS SQSS.]

31. 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.

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32. (Omitted)

33. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions. [N.B. APPROPRIATE AND TIME-

LIMITED VETO RIGHTS IN FAVOUR OF THE AUTHORITY IN RELATION TO SELF
DEROGATIONS SHOULD BE INSERTED HERE]

34. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
35. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.
36. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

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