

# **Scottish Hydro Electric Transmission Plc**

## **Electricity transmission licence**

### **Special Conditions**

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# Chapter 1: Interpretation and definitions

## Special Condition 1.1 Interpretation and definitions

### Introduction

1.1.1 The purpose of this condition is to provide for the special conditions of this licence:

- (a) some provisions of general interpretation; and
- (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

### Part A: Interpretation

1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.

1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those special conditions.

1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

1.1.6 Any reference in these special conditions to:

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity transmission licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity distribution licences;
- (e) a provision of the standard conditions of electricity generation licences;
- (f) a provision of the standard conditions of electricity interconnector licences
- (g) a provision of the conditions of the Electricity System Operator Licence

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

1.1.7 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
  - (b) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ET2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ET2 Price Control Financial Model will convert these values in accordance with Part F of Special Condition 2.1 (Revenue restriction), so that the component terms of Calculated Revenue are in a 2018/19 price base.

## **Part B: Definitions**

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
  - (b) the ET2 Price Control Financial Instruments;
  - (c) the RIGs;
  - (d) an Associated Document; or
  - (e) the CUSC

the defined term is to have the meaning given in that provision or document as amended from time to time.

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Accelerated Strategic Transmission Investment Guidance and Submission Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.41 (ASTI Re-opener and Price Control Deliverable).
Access Agreement	means a formal agreement between the licensee and a community group in the form of a lease or other agreement depending on the site and what is legally permitted by wayleaves.
Access Reform Change	means the changes to industry codes are made to implement the outcome of the Authority's access and charging reform significant code review launched in December 2018.
the Act	means the Electricity Act 1989.
Actual Corporation Tax Liability	means the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs, relating to the licensee.
Affiliate	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Allowed Revenue	is the amount the licensee should aim to recover through its Network Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Revenue restriction).
Allowed Security Costs	means any cost allowed by the Authority (upon receipt of such information, including a certificate from the auditors, as the Authority may request) as being a cost which is directly attributable to any action taken or omitted to be taken by the licensee in its capacity as holder of the licence for the purpose of complying with directions issued by the Secretary of State under section 34(4) of the Act.
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
Annual Iteration Process	means in relation to the ET2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook.

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Appropriate Auditor	<p>means:</p> <p>(a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act;</p> <p>(b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and</p> <p>(c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006.</p>
Appropriate Time	means three months, or such shorter period as the Authority may approve in respect of any person or class of persons.
Appropriately Qualified Independent Examiner	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
ASCR	means Aluminium conductor steel-reinforced cable.
AAAC	means all aluminium alloy conductor.
Asset Data	means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.
Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associate	<p>means:</p> <p>(a) an Affiliate or Related Undertaking of the licensee;</p> <p>(b) an Ultimate Controller of the licensee;</p> <p>(c) a Participating Owner of the licensee; and</p> <p>(d) a Common Control Company.</p>
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.

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ASTI	means the assets constituting an investment in the Transmission System, where the investment: (a) meets the definition of LOTI; (b) has been identified by <del>the ISOP</del> <del>NGESO</del> as being needed to be operational by 2030 to meet the Government's ambition to connect 50GW offshore wind generation; and (c) satisfies the Authority that there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.
ASTI Confidential Annex	means the latest version of the confidential document containing confidential / commercially sensitive information related to the ASTI framework issued to the licensee by the Authority
ASTI Cost And Output Adjusting Event	means events outside of the licensees' reasonable control and which the licensee could not have economically and efficiently planned a contingency for which have a material impact on the scope or cost of an ASTI Output.
ASTI ODI Penalty Exemption Period	means the number of days after the ASTI ODI Target Date for which the Authority decides an ASTI output delivery incentive penalty will not apply following an application under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive).
ASTI ODI Target Date	means the date from which the licensee is not eligible for a reward under the ASTI output delivery incentive as stated in Appendix 1 of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive).
ASTI Outputs	means the outputs included in Appendices 1 and 2 to Special Condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).
ASTI Pre-Construction Funding	means the funding required to complete Pre-Construction Works on an ASTI project.
ASTI Project Assessment Decision	means a document of that name setting out the Authority's decision on an application by the licensee under Part D of Special Condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable): a) on the ASTI Output, delivery date and associated allowances to be specified in Appendix 1 to Special Condition 3.41; b) on any additional events that are to be considered ASTI Cost And Output Adjusting Events for that ASTI; and c) on the availability standard for the relevant ASTI Output to be specified in Appendix 2 to Special Condition 3.41 with any modifications to Special Condition 3.41 being made under section 11A of the Act.
the Authority	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).

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Authority's Website	means <a href="http://www.ofgem.gov.uk">www.ofgem.gov.uk</a> .
Base Transmission Revenue	means the revenue calculated in accordance with the formula set out in Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Outputs).
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' for a given Risk Sub-Category in the licensee's Network Asset Risk Workbook.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Bay Assets	means switchgear at various transmission and distribution voltages which is used for controlled switching and operations of the network but is not used to break fault current and commonly includes, earth switches, disconnectors (isolators) of various designs and surge arrestors.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Biodiversity Net Gain	means a measurable net improvement in the Biodiversity Units for a defined area of land compared to the baseline measure of Biodiversity Units before intervention by the licensee.
Biodiversity Unit	means a nominal figure that represents the distinctiveness, condition and size of a habitat.
Boundary Reinforcement Project	means a project which will uplift the Boundary Transfer Capability across one or more specific transmission circuits.
Boundary Transfer Capability	means the maximum amount of power flow across specific transmission circuits following the most onerous secured event of a fault outage without exceeding the thermal rating of any asset forming part of the National Electricity Transmission System, without any unacceptable voltage conditions or insufficient voltage performance and without any transient or dynamic instability of the electrical plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 2.25 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled 'CAF Guidance', version 3.0, published by the National Cyber Security Centre on 30 September 2019 as amended from time to time.

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Caithness Moray HVDC Link	<p>means the high voltage electric lines and electrical plant which comprise the following components:</p> <p>(a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between converter stations at Spittal and Blackhillock, both within the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005, via an onshore and subsea corridor route of which extends, in part, outside of Great Britain, within the territorial sea adjacent to Great Britain, any Renewable Energy Zone, or an area designated under section 1(7) of the Continental Shelf Act 1964;</p> <p>(b) those converter stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and</p> <p>(c) cables to connect each converter station described in paragraph (b) above to substations at Spittal and Blackhillock and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.</p>
Calculated Revenue	has the value given to it in Part E of Special Condition 2.1 (Revenue restriction).
Calculated Tax Allowance	means the value of the TAX <sub>t</sub> term as set out in the "Revenue" sheet of the ET2 Price Control Financial Model.
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener).
Capital Construction	means any project that falls under the licensee's capital delivery arm.
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RII0-1 Network Innovation Allowance for an additional Regulatory Year.
Civil Related Works	means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental (drainage and oil containment issues on substations).
CO <sub>2</sub> e	means carbon dioxide equivalent.
Commercial Customer	means any person who is supplied or required to be supplied with electricity and is not a Domestic Customer.
Common Control Company	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Competent Authority	means the Secretary of State, the Authority, the Compliance Officer, the London stock exchange, the Panel on Take-overs and Mergers,

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	or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European Union.
Compliance Certificate	means a certificate to certify that to the best of the Single Appointed Director's knowledge, information and belief, having made due and careful enquiry, the report of the Compliance Officer fairly represents the licensee's compliance with the Specified Duties.
Compliance Committee	means a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer and the compliance of the licensee with its Specified Duties.
Compliance Officer	means a person appointed by the licensee for the purpose of facilitating compliance by the licensee with its Relevant Duties.
Compliance Report	means an annual report provided by the licensee to the Authority which demonstrates its compliance with the Relevant Duties during the period since the last Compliance Report and its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.
Compliance Statement	means a statement provided by the licensee to the Authority describing the practices, procedures and systems by which the licensee will secure compliance with the Relevant Duties.
Confidential Information	means any information, which is commercially sensitive, and relates to or derives from the management or operation of the Transmission Business.
Connection Entry Capacity	has the meaning given to that term in the CUSC.
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the Office for National Statistics (or any other public body acquiring its functions).
Consumer Outcome	means: (a) the expected benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in the Transmission System's capability or resilience; or (b) the expected benefits to consumers in terms of service quality, over what would have been the whole life of the output specified in the relevant special condition had it been delivered as specified. In the context of works delivered by the licensee, this means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the Transmission System's capability or resilience, or benefits to consumers in terms of service quality, that

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	can be attributed to, and reasonably expected from, the works delivered by the licensee over the whole life of the works delivered.
Cost And Output Adjusting Event	means: (a) an Extreme Weather Event; (b) the imposition of additional terms or conditions of any statutory consent, approval or permission (including but not limited to planning consent); (c) unforeseen ground or sea-bed conditions; and (d) for the purposes of the Shetland HVDC Link the events set out in Appendix 3 to Special Condition 3.13 (Large onshore transmission investment Re-opener); and (e) for the purposes of a any other particular LOTI Output, any event that the Authority decides is a Cost And Output Adjusting Event in the Project Assessment Decision.
Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: (a) major detrimental impact on the availability, integrity or delivery of essential services - including those services whose integrity, if compromised, could result in significant loss of life or casualties - taking into account significant economic or social impacts; or (b) significant impact on national security, national defence, or the functioning of the state.
Cruachan Transmission Line	means the double circuit 275kV transmission line extending from the Cruachan Station Works, to the Dalmally Switching Station and thereafter to the Windyhill Substation together with all lattice Towers, conductors, insulators, associated cables and connections, and all other items of plant or equipment making up or supporting said transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in the transfer scheme.
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
CUSC	means the Connection and Use of System Code prepared by <a href="#">the ISOP</a> <del>NGESO pursuant to paragraph 2 of Standard Condition E2C10</del> (Connection and Use of System Code (CUSC)) of its <del>Transmission</del>

	Licensee <u>Electricity System Operator Licence</u> , as from time to time modified in accordance with that condition.
CVP	means the consumer value propositions which were submitted by the licensee in its Business Plan and accepted by the Authority in its RIIIO-2 Final Determinations.
CVP Full Delivery	means the delivery as a minimum of the CVP Outputs for each CVP set out in Appendix 1 to Special Condition 4.8 (Consumer value proposition) by 31 March 2026.
CVP Output	means the outputs set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions).
CVP Reward	means the values set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions).
Cyber Resilience IT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Cyber Resilience OT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience OT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience OT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).
Delayed	means where the licensee has not delivered the output set out in the relevant special condition in full by the relevant delivery date, but intends to deliver the output in full or in part at a later date.
Delay Event	means an event that: (a) causes, or is reasonably expected to cause, one or more ASTI projects to be delayed by at least 30 days;

	(b) is outside the licensee's reasonable control; and (c) is not attributable to any error or failure on the licensee's part.
Demand Connection	means the transmission infrastructure works required to connect new demand capacity to the National Electricity Transmission System.
Demand Connection Capacity	means the incremental increase in the offtake capacity at grid exit points, in MVA, associated with single or multiple new Demand Connections as specified in a relevant agreement between the licensee and the <del>ISOP System Operator</del> pursuant to the STC.
Designated Areas	means areas that have a statutory designation as a 'national park' or 'area of outstanding natural beauty' under the National Parks and Access to the Countryside Act 1949 and areas that have a statutory designation as a 'national scenic area' under the Town and Country Planning (Scotland) Act 1997.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Transmission Licensee <del>or the ISOP</del> and Electricity Distribution Licensees), that have not been otherwise funded through Network Charges or services under Special Condition 8B (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).
Disaggregated Network Risk Output	means a disaggregated component of the Baseline Network Risk Outputs or Outturn Network Risk Outputs into units appropriate for investment planning or delivery assessment purposes. Disaggregation may, for example, be at project, asset category, or intervention level, or combinations of these.
Disallowed Expenditure	means revenue received (whether by the licensee or any other Transmission Licensee <del>or the ISOP</del> or Electricity Distribution Licensee) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Special Conditions (or any part or parts of them) would cease to have effect.

Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant Special Conditions (in whole or in part).
Distribution Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Distribution System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Domestic Customer	means any person who is supplied or requires to be supplied with electricity at premises at which a supply of electricity is taken wholly or mainly for domestic purposes (but excludes such person insofar as he is supplied or required to be supplied at premises at which supply is taken for non-domestic purposes).
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
Early Construction Funding	means allowances in addition to ASTI Pre-Construction Funding in relation to an ASTI Output provided before an ASTI Project Assessment Decision and related to: <ul style="list-style-type: none"> <li>(a) strategic land purchases;</li> <li>(b) early enabling works;</li> <li>(c) early procurement commitments; and/or</li> <li>(d) other activities approved in advance by the Authority.</li> </ul>
Efficiency	means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan. This does not include: (a) where lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or (b) where expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to, growth in demand for the licensee's services or government policy.
Electricity Arbitration Association	means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.
Electricity Distribution Licensee	means the holder of a licence granted or treated as granted under section 6(1)(c) of the Act.
<u>Electricity System Operator Licence</u>	<u>has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).</u>

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Electricity System Restoration Project	means a project to aid the procedure used to restore power in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code) of the National Electricity Transmission System
Electricity System Restoration Standard	means the target Restoration Time(s) that the Secretary of State directs the <del>ISOP System Operator</del> to have the capability to meet.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RIIO-1 NIA Governance Document.
Eligible SIF Project	means a project undertaken by the licensee or any other Transmission Licensee <u>or the ISOP</u> that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
Eligible NIC Project	means a project undertaken by the licensee or any other Transmission Licensee <u>or the ISOP</u> that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Enhancing Pre-existing Infrastructure Project	means a project that has been approved by the Authority prior to 31 March 2021 to reduce the impact of the assets forming part of the licensee's Transmission System on the visual amenity of Designated Areas.
ENS Compensatory Payment Methodology	means the methodology that the licensee is required to publish and maintain pursuant to Part B of Special Condition 6.3 (Energy not supplied compensatory scheme pass-through).
ENS Exceptional Event	for the purposes of Special Condition 4.2 (Energy Not Supplied output delivery incentive) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes: an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 7 faults being recorded by the licensee on the licensee's Transmission System in any 24-hour period, <del>ISOP System Operator</del> Requested Load Shedding; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a

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	court or Competent Authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.
ENS Incentive Methodology Statement	means a document that sets out the methodology the licensee will use to calculate the volume of energy not supplied arising from each Incentivised Loss of Supply Event.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Discretionary Reward Scheme	means the RIIO-ET1 scheme of that name.
Environmental Discretionary Reward Scheme Guidance	means the document of that name maintained by the Authority in accordance with Special Condition 7.7 (Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme).
Environmental Net Gain	means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs, and the proportionate levels of over-delivery and under-delivery of Baseline Network Risk Outputs resulting from higher or lower level of intervention volumes.
ET1 Price Control Financial Model	has the meaning given to that term in Special Condition 1A (Definitions and Interpretation) of this licence as in force on 31 March 2021.
ET2 Price Control Financial Handbook	means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and includes specific information and advice about the operation of the Annual Iteration Process and the ET2 Price Control Financial Model, as modified from time to time in accordance with the provisions of Special

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	Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).
ET2 Price Control Financial Instruments	means the ET2 Price Control Financial Handbook and the ET2 Price Control Financial Model.
ET2 Price Control Financial Model	means the model of that name that was first published by the Authority to come into effect on 1 April 2021: (a) that is represented by a workbook in Microsoft Excel® format maintained under that name on the Authority's Website; and (b) that the Authority will use to determine the value of the term $AR_t$ through the application of the Annual Iteration Process in accordance with the provisions of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) and as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).
ET2 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ET2 Price Control Financial Handbook.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Ex-Ante Base Revenue	has the value £504m for each Regulatory Year.
External Assurance	means a process to reflect the quality of the licensee's performance to its stakeholders used to derive the incentive term $SEA_t$ term in accordance with the process provided for in Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
External Assurance Methodology	means the methodology to support the External Assurance.
External Transmission Activities	means any business of the licensee or any Affiliate or Related Undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National Electricity Transmission System other than the licensee's Transmission System.
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Fibre Wrap Replacement	means replacement of conductor that have embedded fibre-optic communications capability that provide connections between electricity transmission assets.
Final Needs Case	means a document that sets out the licensee's final view on the need for a LOTI.

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Final Statutory Planning Consultation	means the final public consultation that the licensee undertakes before submitting its primary planning application in relation to a potential LOTI.
Flooding Defence Project	means a project to improve the flooding resilience of physical assets connected to the National Electricity Transmission System.
Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.
Foundations	means all the concrete, reinforcement and steel below-ground which makes up overhead line tower foundations.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.
Fully Delivered With An Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Funded SF6 Asset Interventions	means interventions on assets containing sulphur hexafluoride, funding for which is provided under Special Condition 3.6 (Net zero Re-opener) or Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), but does not include interventions on assets added to or decommissioned from the licensee's Transmission System for the purposes of paragraph 4.3.5 of Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive).
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other electricity Transmission Licensees and Electricity Distribution Licensees <u>and the ISOP</u> , in each case to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> <li>(a) Halted Project Revenues;</li> <li>(b) Disallowed Expenditure;</li> <li>(c) Returned Royalty Income; and</li> <li>(d) Returned Project Revenues.</li> </ul>
Generation Connection	means the transmission infrastructure works required to connect new generation capacity to the National Electricity Transmission System.
Generation Connection Capacity	means:

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	(a) the incremental Connection Entry Capacity, in MW, for generation connected to the National Electricity Transmission System; or (b) the incremental system capacity, in MVA, associated with single or multiple new Generation Connections as specified in the relevant agreement between the licensee and the <del>ISOP</del> <del>System Operator</del> pursuant to the STC.
Great Britain	has the meaning given under Standard Condition A1 (Definitions and interpretation).
Green Book Supplementary Guidance	means the supplementary guidance to the document titled 'UK Government Treasury's Green Book, for valuation of energy use and greenhouse gas emissions for appraisal', as from time to time amended.
Greenhouse Gas Protocol Website	means <a href="https://ghgprotocol.org/">https://ghgprotocol.org/</a>
Grid Code	means the grid code required to <del>be drawn up by NGESO pursuant to Condition E3 to Standard Condition C14</del> <u>prepared by the ISOP</u> (Grid Code) of <u>the Electricity System Operator</u> its Transmission Licence, as from time to time revised with the approval of the Authority.
Halted Project Revenues	means revenues received (whether by the licensee or by any other Transmission Licensee or Electricity Distribution Licensee <u>or the ISOP</u> ) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent or otherwise committed at the time that the Authority requires that project to be halted, in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Harmonic Filtering	means a measure or measures to mitigate the effects on the National Electricity Transmission System of non-standard frequencies above 50Hz.
IIG Baseline Leakage Rate	means the IIG baseline leakage rate as set out within RIIO-2 Final Determinations.
IIG Exceptional Event	means an event or circumstance that is beyond the reasonable control of the licensee and results in, causes, or prohibits the timely prevention of the leakage of an Insulation And Interruption Gas and includes any event or circumstance where the risk of significant danger to the public requires the licensee to prioritise health and safety objectives over the reduction of leakage of an Insulation And Interruption Gas at a particular site.
IIG Inventory	means the complete list of assets on the licensee's Transmission System that contain Insulation And Interruption Gases in tonnes CO <sub>2</sub> e.
IIG Methodology Statement	means the document prepared by the licensee in accordance with Part B of Special Condition 4.3 (Insulation and Interruption Gas emissions output delivery incentive).

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Improvement Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled 'Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain' published by the Authority on 30 November 2018.
Incentivised Loss of Supply Event	<p>means any event on the licensee's Transmission System that causes energy not to be supplied to a customer, subject to the following exclusions:</p> <p>(a) any energy not supplied to customers that have requested a lower standard of connection than that provided in the NETS SQSS (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);</p> <p>(b) any energy not supplied resulting from a shortage of available generation;</p> <p>(c) any energy not supplied resulting from a de-energisation or disconnection of a User's equipment under an event of default as defined in the CUSC;</p> <p>(d) any energy not supplied resulting from a User's request for disconnection in accordance with the Grid Code;</p> <p>(e) any energy not supplied resulting from emergency de-energisation by a User as defined in the CUSC;</p> <p>(f) any energy not supplied resulting from an emergency de-energisation or disconnection of a User's equipment necessary to ensure compliance with the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or otherwise to ensure public safety; and</p> <p>(g) any event lasting less than or equal to three minutes.</p>
Independent Examiner	means a person nominated by and independent of the licensee with the skill and knowledge to undertake an examination.
Initial Needs Case	means a document that sets out the licensee's initial view on the need for a LOTI and, in particular, compares alternative options.
Innovation	<p>means:</p> <p>(a) solutions that have been trialled by any Network Licensee as part of a RIIIO-1 Network Innovation Allowance project pursuant to the requirements of the RIIIO-1 NIA Governance Document or a RIIIO-2 NIA Project; or</p> <p>(b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.</p>
Insulation And Interruption Gas	means a gas with a global warming potential of greater than one, used within electrical switchgear and transmission assets with a suitable dielectric strength to enable use as an insulator to prevent discharge or as an interruption aid to prevent flow of current during planned or non-planned switching.

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Instrument Transformer	means a single phase transformer unit that is a high accuracy class electrical device that is used to isolate or transform voltage or current levels.
Instrument Transformer Individual	means a single phase instrument transformer with a driver specific to that individual asset.
Instrument Transformer Family	means an individual or group of instrument transformer assets, which are replaced on the basis of the condition of other assets produced by the same manufacturer or of the same model. This may also include assets which are on the same circuit, but not of the same variant.
<u>ISOP</u>	<u>has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).</u>
IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
Key Performance Indicators	means measures to reflect the quality of the licensee's performance to its stakeholders.
Kintyre-Hunterston Transmission Line	means both the onshore and subsea 240MVA AC transmission line extending from the Crossaig substation, through the Sound of Bute and up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing in Ardneil Bay, North Ayrshire, together with all associated cables, transformers, switch gear and connections and all other plant and equipment making up or supporting that transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme.
Licensed Activity	has the meaning given to the term "Transmission <del>Owner</del> Business Activities" in Standard Condition B1 (Regulatory Accounts).
Load Shedding	means the disconnection of demand as a measure to ensure the safety and integrity of the National Electricity Transmission System.
Local Area Energy Plan	means a plan that is the product of a process: (a) through which a range of stakeholders including other Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and (b) that has been conducted in the context of enabling energy systems with net zero carbon emissions.
Long-term Monetised Risk	means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.

Loss of Supply Event	means any event on the licensee's Transmission System that causes electricity not to be supplied to a Domestic Customer or to a Commercial Customer for a period of six hours or longer, subject to the exceptions set out in the licensee's ENS Compensatory Payment Methodology.
LOTI	means the assets constituting an investment in the Transmission System , which investment: (a) is expected to cost £100m or more of capital expenditure; and (b) is, in whole or in part, load-related.
LOTI Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.13 (Large onshore transmission investment Re-opener).
LOTI Output	means an output in Appendix 2 to Special Condition 3.13 (Large onshore transmission investment Re-opener).
Managing Director Of Transmission	means a person responsible for the conduct of the Transmission Business and any External Transmission Activities.
Materiality Threshold	has the value £7m.
Medium Sized Investment Project	means a project of the kind listed at paragraph 3.14.6 of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).
Mitigating Pre-existing Infrastructure Policy	means the document the licensee is required to update by Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	means the risk benefit delivered or expected to be delivered by an Asset Intervention, which: (a) is the difference between without intervention and with intervention Monetised Risk; (b) can be measured over one year or over a longer period of time; and (c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.

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NARM Handbook	means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that: (a) sets out the methodology for calculating relevant funding adjustments and penalties as a result of Outturn Network Risk Outputs being different to Baseline Network Risk Outputs; and (b) provides guidance to the licensee on providing justification for over-delivery and under-delivery; the treatment of Non-Intervention Risk Changes and the meaning and treatment of 'clearly identifiable over-delivery' and 'clearly identifiable under-delivery'.
NARM Methodology	means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
National Electricity Transmission System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Net Zero And Re-opener Development Fund	means the use it or lose it allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero and Re-opener Development Fund Governance Document	means the document of that name issued by the Authority in accordance with Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero Carbon Targets	means the targets set out in: (a) section 1 of the Climate Change Act 2008; (b) section A1 of the Climate Change (Scotland) Act 2009; and (c) section 29 of the Environment (Wales) Act 2016.
Net Zero Development	means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is: (a) a change in national government policy (including policies of the devolved national parliaments); (b) a change in local government policy; (c) the successful trial of new technologies or other technological advances; (d) a change in the pace or nature of the uptake of low carbon technologies; or (e) new investment arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.
Net Zero Fund	for the purpose of Special Condition 5.5 (Net Zero Fund use it or lose it allowance) means an allowance for the licensee to support vulnerable customers and communities and contribute to the Net Zero Carbon Targets.

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NETS SQSS	means the standards that set out the criteria and methodologies for planning and operating the National Electricity Transmission System, as from time to time amended.
Network Access Policy	means the document of that name approved by the Authority under Special Condition 9.10 (Network Access Policy).
Network Asset	means the assets that collectively form the licensee's Transmission System, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset intervention.
Network Asset Risk Workbook	means the workbook of that name in Microsoft Excel® format issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that contains the following data: (a) Baseline Network Risk Outputs; (b) Disaggregated Network Risk Outputs; (c) the baseline funding associated with the Disaggregated Network Risk Outputs; (d) Asset Intervention underlying the Disaggregated Network Risk Outputs; and (e) records of results from Rebasing exercise.
Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.
NGESO	<del>means National Grid Electricity System Operator Limited.</del>
NIA	means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance).
NIC	means the arrangements known as the network innovation competition established by Special Condition 3I (The Network Innovation Competition) of this licence as in force on 31 March 2021.
NIC Funding	means the total amount of funding authorised by the Authority for the licensee and other Transmission Licensees and Electricity Distribution Licensees <u>and the ISOP</u> , in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.

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Special Conditions to Scottish Hydro Electric Transmission Plc's electricity transmission licence – 20 October 2023

NIC Funding Mechanism	is the mechanism by which the licensee receives the amount of NIC Funding from the <del>ISOP System Operator</del> , less any Funding Return.
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part B of Special Condition 7.11 (RIIO-ET1 network innovation competition).
No Net Loss	means the impacts on biodiversity caused by construction are offset so that no loss remains.
No Net Loss In Biodiversity	means achieving 95-104% of the Biodiversity Unit baseline of a project that is in the licensee's capital delivery arm.
NOA	means the Network Options Assessment required by <u>Condition C13</u> <del>Standard Condition C27</del> (The Network Options Assessment ( <u>NOA</u> ) process and reporting requirements).
NOA Proceed Signal	means where the outcome of the NOA indicates that a project should continue to be progressed.
NOMs Incentive Methodology	means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6 December 2018, as amended in accordance with Part B of Special Condition 7.10 (Closeout of the RIIO-1 Network Outputs).
NOMs Methodology	means the methodology approved under Special Condition 2L (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.
Non-operational IT Capex	has the meaning given to that term in the RIGs.
Non-Technical Mitigation Projects	means a landscaping or environmental enhancement scheme that has been informed by stakeholder engagement, to mitigate the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas.
Not Delivered	means where the licensee has not delivered the output as set out in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.
NTMP Value	means the amount of costs for Non-Technical Mitigation Projects that is calculated in accordance with Part A of Special Condition 5.4 (Non-Technical Mitigation Projects allowance).
Offshore Transmission Licence	means a transmission licence held by an Offshore Transmission Owner.
Offshore Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).

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Special Conditions to Scottish Hydro Electric Transmission Plc's electricity transmission licence – 20 October 2023

Operational Load Management Scheme Project	means a project which will deploy an overarching control system to ensure relevant transmission assets are not overloaded.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity.
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to electricity transmission.
Outage Changes	means a change to the outage plan notified to the licensee by the <del>ISOP System Operator</del> on or after week 49, as updated from time to time in accordance with the procedures set out in the STC.
Outturn Network Risk Output	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Output as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Output.
Overhead Line Conductor	means all conductor strung on overhead line Towers.
Partially Delivered	means where the licensee has delivered some, but not all of the output specified in the relevant special condition.
Partially Delivered With Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out as set out in the relevant special condition.
Participating Owner	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Guidance	means the guidance document issued by the Authority in accordance with Part E of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model).
PCFM Variable Values	means the values in the table of that name in the ET2 Price Control Financial Handbook.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transmission Business

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	under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Physical Security Upgrade Programme	means physical security investment at Critical National Infrastructure sites as mandated by government.
Pre-Construction Funding	means the funding required to complete Pre-Construction Works on a potential LOTI project.
Pre-Construction Works	means: <ul style="list-style-type: none"> <li>(a) surveys, assessments and studies;</li> <li>(b) project design;</li> <li>(c) engineering development;</li> <li>(d) stakeholder engagement and consultation;</li> <li>(e) tasks associated with wayleaves;</li> <li>(f) planning applications;</li> <li>(g) tender activities; and /or</li> <li>(h) other activities as may be approved by the Authority</li> </ul>
	undertaken for the purposes of developing a LOTI to the point where all material planning consents have been obtained and the project is ready to begin construction, or developing an ASTI to the point of submission of all material planning consent applications.
Pre-existing Transmission Infrastructure	means transmission infrastructure assets forming part of the licensee's Transmission System on 1 April 2013.
Prescribed Rates	means: <ul style="list-style-type: none"> <li>(a) business rates in England and Wales; and</li> <li>(f) (b) non-domestic rates in Scotland</li> </ul> or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.6, 3.7, 3.9, 3.10, 3.14, 3.15, 3.17 and 3.18, 3.40 and 3.41.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, 'Decision on the Authority's policy for funding Pension Scheme Established Deficits' dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2021.
Project Assessment Decision	means a document of that name setting out the Authority's decision on an application by the licensee under Part B of Special Condition 3.13 (Large onshore transmission infrastructure), in particular: <ul style="list-style-type: none"> <li>a) on the LOTI Output, delivery date and associated allowances to be specified in Appendix 2 to Special Condition 3.13; and</li> </ul>

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	b) any additional events that are to be considered Cost and Output Adjusting Events for that LOTI;
	with any modifications to Special Condition 3.13 being made under section 11A of the Act.
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Protection and Control	means light current equipment used to identify and rectify faults and provide interface to enable switching on the network.
PSUP Solution	means the site physical security upgrade specified by the government.
Qualifying Project	means a network development project that affects the local environment that has either: (a) passed through and been granted external planning approval; or (b) passed through the licensee's internal decision making stage 'network development process gate C'.
RAV	means regulatory asset value.
Rebased Baseline Network Risk Output	means a Baseline Network Risk Output that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purposes of Special Condition 3.1 (Baseline Network Risk Output).
Rebasing	means the process of modifying the Baseline Network Risk Output as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Recovered Revenue	has the meaning given to that term in Part B of Special Condition 2.1 (Revenue restriction).
Regulatory Financial Performance Reporting	means the reporting template and associated guidance of the same name that the licensee is required to submit to the Authority in accordance with the RIGs.
Regulatory Year	means a period of twelve months commencing on 1 April.
Related Undertaking	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Relevant Duties	means the obligations set out in Special Condition 9.14 (Restriction on use of certain information).

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Relevant Other Competitive Businesses	<p>means the business of:</p> <p>(a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore Transmission Licence is to be granted;</p> <p>(b) an Offshore Transmission Owner;</p> <p>(c) undertaking carbon capture and storage activities; or</p> <p>(d) owning or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.</p>
Relevant Special Condition	means Special Condition 2.1 (Revenue restriction), together with such of the Special Conditions of this licence as are ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	<p>means:</p> <p>(a) the Valuation Office Agency in England and Wales; and</p> <p>(b) the Scottish Assessors Association in Scotland.</p>
<u>Relevant Year</u>	<u>means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.</u>
Renewable Energy Zone	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
Re-opener	<p>means the mechanisms created by:</p> <p>(a) Special Conditions 3.8, 3.13, 3.16, and 3.28; and</p> <p>(b) Parts C and D of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C and D of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable), Part C of Special Condition 3.6 (Net zero Re-opener and Price Control Deliverable), Part C of Special Condition 3.7 (Non-operational IT Capex Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), Part C of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), and Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), Part C of Special Condition 3.40 (Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Parts C, D and E of Special Condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).</p>
Re-opener Guidance and Application	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

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Requirements  
Document

Restoration Time	means the time it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
Retail Prices Index	means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).
Returned Project Revenues	means: (a) revenues received by the licensee from the <del>ISOP System Operator</del> under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and (b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royal Income.
Returned Royalty Income	means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees <del>and the ISOP</del> ), less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
RIGs	means the document published by the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).
RIIO-1 Justified Material Over-delivery	means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Justified Material Under-delivery	means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Materially Equivalent Output	means an equivalent level of risk to a RIIO-1 Network Output.
RIIO-1 Network Innovation Allowance	means the arrangements established by Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.
RIIO-1 Network Output	means the network replacement outputs as set out in Table 1 of Special Condition 2M (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.

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RIIO-1 NIA Governance Document	means the document issued by the Authority in accordance with Part E of Special Condition 3H (The Network Innovation Allowance) as in force on 31 March 2021.
RIIO-1 NOMs Principles	means the principles set out in Chapter 2 of the document titled 'Network Output Measures (NOMs) Incentive Methodology' published by the Authority on 6 December 2018.
RIIO-2 Final Determinations	means the documents published by the Authority on 8 December 2020 (and subsequently updated on 3 February 2021) setting out the Authority's decisions in relation to the Price Control Period.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-2 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-ET1	means the price control that applied to the licensee for the period of eight years beginning on 1 April 2013.
RIIO-ET2	means the price control that applies to the licensee for the period of five years beginning on 1 April 2021.
RIIO-ET2 Business Plan Data Template	means the document of that name submitted by the licensee to the Authority on 9 December 2019.
RPEs	means Real Price Effects as defined in Appendix 1 to the ET2 Price Control Financial Handbook.
Security Period	means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.
Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
SF6 Alternative Gas	means an Insulation and Interruption Gas, but does not include sulphur hexafluoride.
SF6 Intervention Plan	means a plan to reduce SF6 emissions or remove equipment that contains SF6 from the Transmission System; and that complies with the requirements of the relevant appendix to the Re-opener Guidance and Applications Requirements Document.
Shared Services	means shared corporate services as specified in the Compliance Statement.

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Shetland HVDC Link	<p>means the high voltage electric lines and electrical plant which:</p> <p>(a) comprise the following components:</p> <p>(i) a 600MW HVDC cable system, the sole purpose of which is to transmit electricity between a converter station at Upper Kergord on Shetland and an HVDC switching station at Noss Head near Wick on the Scottish mainland, both within the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005, via a single circuit onshore and subsea cable corridor route contained within:</p> <p>(A) the territorial sea adjacent to the United Kingdom as defined in The Territorial Waters Order in Council 1964, The Territorial Sea Act 1987, the Territorial Sea (Baselines) Order 2014 or The Territorial Sea (Amendment) order 1998 or as defined in the United Nations Convention on the Law of the Sea Part II Section II Articles 3-5;</p> <p>(B) any Renewable Energy Zone; and</p> <p>(C) the continental shelf as designated under section 1(7) of the Continental Shelf Act 1964 or The Continental Shelf (Designation of Areas) Order 2013, or as defined in the United Nations Convention on the Law of the Sea Part VI Article 76;</p> <p>(ii) those converter and switching stations at each end of the HVDC cable system described in sub-paragraph (i) to facilitate the conversion of power from alternating current at Upper Kergord, to direct current for export to the mainland national electricity transmission system and to complete a multi-terminal HVDC system with the existing Caithness-Moray HVDC Link via the Noss Head switching station;</p> <p>(iii) cables to connect the HVDC converter station described in sub-paragraph (ii) to an alternating current substation at Upper Kergord on Shetland; and,</p> <p>(iv) cables and tie-in works with the existing Caithness-Moray HVDC Link at Noss Head; and</p> <p>(b) does not transmit electricity for the purposes of offshore transmission as defined in the Act.</p>
Shetland HVDC Link Covid Costs	means costs incurred in relation to the Shetland HVDC Link up to £10.4m that are directly attributable to the ongoing covid pandemic and not covered by any insurances or contractual arrangements.
SIF	means the strategic innovation fund established by Special Condition 9.19 (The strategic innovation fund).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects undertaken by the licensee that have not been otherwise remunerated through Network Charges, Directly Remunerated Services or the SIF Funding Mechanism.

SIF Disallowed Expenditure	means any revenue received by the licensee from <u>the ISOP</u> NGESO under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Funding	means the proportion (if any) of the total amount of funding raised by <u>the ISOP</u> NGESO in accordance with the SIF Funding Mechanism that the Authority determines is to be allocated to the licensee in respect of its Eligible SIF Projects, as adjusted by the amount of any SIF Funding Return.
SIF Funding Mechanism	means the mechanism by which the licensee receives the amount of authorised SIF Funding in any Relevant Year from <u>the ISOP</u> NGESO, less any SIF Funding Return
SIF Funding Return	means the total amount, in respect of the licensee, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for payments to be made by the licensee to <u>the ISOP</u> NGESO, as may be relevant in each of the following cases to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> <li>a) SIF Halted Project Revenues;</li> <li>b) SIF Disallowed Expenditure;</li> <li>c) SIF Returned Royalty Income; and</li> <li>d) SIF Returned Project Revenues.</li> </ul>
SIF Governance Document	means the document issued by the Authority under Part C of Special Condition 9.19 (The strategic innovation fund)
SIF Halted Project Revenues	means any revenues received by the licensee from <u>the ISOP</u> NGESO under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: <ul style="list-style-type: none"> <li>a) revenues received by the licensee from <u>the ISOP</u> NGESO under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or</li> <li>b) revenues earned from Eligible SIF Projects by the licensee other than Returned Royalty Income, that the Authority determines are payable to customers.</li> </ul>

SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects undertaken by the licensee, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.
Single Appointed Director	means a member of the managerial board for the licensee, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the Compliance Officer and the licensee's compliance with the Specified Duties.
Single-year Monetised Risk	means the Monetised Risk measured over a given one-year time period.
SONIA	means the daily values of the sterling overnight index average, series ID "IUDSOIA", published by the Bank of England (or any other public body acquiring its functions).
SO-TO Optimisation Governance Document	means the document issued by the Authority under Part B of Special Condition 4.7 (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Report	means a document prepared and published by the licensee in accordance with Part C of Special Condition 4.7 (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Solutions	has the meaning given to that term in the SO-TO Optimisation Governance Document.
Stakeholder Engagement Reward	means the reward provided for in Part B of Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
Stakeholder Engagement Reward Guidance	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 7.6 (Close out of the RIIO-ET1 stakeholder satisfaction output).
Statement of Transmission Owner Charges	means a statement which the licensee must have in place by virtue of Special Condition 9.12 (Basis of Transmission Owner Charges).
STC	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
STCP11.4 Enhanced Service Provision	means the procedure of that name that is published on the <del>ISOP's</del> <del>NESO's</del> website <a href="https://www.nationalgrideso.com/">https://www.nationalgrideso.com/</a>
Subsea Cable	means components of circuits in the licensee's Transmission System that are installed in the sea, ocean or other large body of water.
Subsea Cable Fault	means when a Subsea Cable cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.

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Subsea Cable Repair	means the remedial works that a licensee undertakes to repair or replace a Subsea Cable that cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Successful Delivery Reward	has the meaning given to that term by the NIC Governance Document.
<del>System Operator</del>	<del>has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).</del>
<del>System Operator Functions</del>	<del>means the activities of the licensee pursuant to the obligations under Section C (System Operator Standard Conditions) of this licence, for which there are no equivalent obligations under Section D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions), of the standard conditions contained in a Transmission Licence.</del>
<b>ISOP System Operator- Requested Load Shedding</b>	means a request by the System Operator for the licensee to reduce demand on its Transmission System through the deliberate staged disconnection of customers, where network conditions leading to the request were not attributable to any error, action or inaction on the licensee's part.
T/CO <sub>2</sub> e	means tonnes of carbon dioxide equivalent emissions.
Tax Reconciliation	means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority as part of the ET2 Price Control Financial Model.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the ET2 Price Control Financial Handbook.
Timely Connections Obligations	means the requirements on the licensee to make timely offers of connection terms as set out in Standard Condition D4A (Obligations in relation to offers for connection etc) and paragraph 4.8 in Part 2 of Section D of the STC (subject to paragraph 4.9 of that same Part).
Totex Allowance	means the sum of values under the heading "Totex allowance" in the "Input" sheet of the ET2 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the ET2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <ul style="list-style-type: none"> <li>(a) the licensee's Totex Allowance; and</li> <li>(b) the licensee's actual totex expenditure.</li> </ul>
Totex Incentive Strength	has the value 36%
Towers	means steel structures used to support power carrying conductors and insulators at a distance.

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Tower Steelwork	means the steel members that make up lattice overhead line Towers.
Transmission Area	means the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005 and the Kintyre-Hunterston Transmission Line up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing point at Ardneil Bay, the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone or within an area designated under section 1(7) of the Continental Shelf Act 1964 that any part of the Caithness Moray HVDC Link and the Shetland HVDC Link owned by the licensee passes through, but excluding the Cruachan Transmission Line.
Transmission Business	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission <del>Business</del> Activities	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).
Transmission Connection Assets	means those assets solely required to connect an individual User to the National Electricity Transmission System, which are not and would not normally be used by any other connected party.
Transmission Connection Infrastructure	means any asset that is potentially shareable used in the connection of a User to the Transmission System.
Transmission Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Licensee	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Network Services	has the meaning given to that term <del>in in Standard Condition A1 (Definitions and interpretation)</del> <u>of the Electricity System Operator Licence.</u>
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission System	has the meaning given to that term by section 4(4) of the Act.
Tyne Crossing Project	means the project to replace the overhead line part of the Transmission System which crosses the River Tyne.
Ultimate Controller	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Unfair Commercial Advantage	includes any such advantage from a preferential or discriminatory arrangement, and for the licensee is in connection with a business other than its Transmission Business.
Untimely Offers	means connection offers made other than in accordance with the licensee's Timely Connections Obligations.

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Use It Or Lose It Adjustment	<p>means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:</p> <p>(a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment),</p> <p>(b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance);</p> <p>(c) the purpose of the Net Zero Fund, in relation to Special Condition 5.5 (Net Zero Fund use it or lose it allowance); or</p> <p>;</p> <p>(d) delivering the outputs associated with ASTI Pre-Construction Funding in relation to Special Condition 3.40 (ASTI Pre-construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment)</p> <p>which will not exceed the allowance provided</p>
User	<p>means any person (other than the <del>ISOP</del> System Operator or a Transmission Owner) who is authorised to generate, participate in the transmission of, distribute or supply electricity or who is included in a class of person or persons which has been granted an exemption from section 6 of the Act and any person engaged in the sale or purchase of electricity or who otherwise purchases or acquires for purchase electricity.</p>
Visual Impact Mitigation Price Control Deliverables	<p>means the outputs, delivery dates and allowances set out in Appendix 1 to Special Condition 3.10 (Visual impact mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).</p>
WACC	<p>means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook.</p>
Western HVDC Link	<p>means the high voltage electric lines and electrical plant which comprise the following components:</p> <p>(a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between the Transmission Area of SP Transmission Limited and that part of the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;</p> <p>(b) convertor stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and</p>

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	(c) cables to connect each converter station described in paragraph (b) above to an appropriate substation in each of the licensee's Transmission Area and SP Transmission Limited's Transmission Area as defined in Special Condition 1.1 of their licence, respectively and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.
Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.
Total NIA Expenditure	means expenditure that satisfies the requirements of the RII0-2 NIA Governance Document and is partly recovered by the licensee under the Special Condition 5.2 (RII0-2 network innovation allowance).

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## Special Condition 1.2 Variations to the standard conditions for the purposes of this licence

### Introduction

- 1.2.1 The purpose of this licence condition is to vary the standard conditions in their application for the purposes of this licence.

### Part A: Modifications

- 1.2.2 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

- (a) insert immediately after the definition of "Section E (offshore transmission owner standard conditions) Directions" and the definition of "statutory accounts":

"separate business" means each or any of:

- (a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (d) any interconnector business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;"

- (b) at the definition of "transmission business" delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of "transmission

owner activity~~constraint costs~~” and insert in its place the following new sub-paragraphs:

- (c) “any other separate business;
- (d) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or
- (e) any other business whether or not a separate business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons.”

## Chapter 3: Totex Allowance adjustments

### Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA<sub>t</sub> and LOTIRE<sub>t</sub>)

#### Introduction

- 3.13.1 The purpose of this condition is to specify the value of the terms LOTIA<sub>t</sub> (the large onshore transmission investment allowance term) and LOTIRE<sub>t</sub> (the large onshore transmission investment Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.13.2 The effect of this condition is to:
- (a) specify any LOTI Outputs, delivery dates and allowances;
  - (b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the licensee's Transmission System; and
  - (c) establish the LOTI Guidance and Submissions Requirements Document.
- 3.13.3 This condition also sets out the process the Authority will follow when making any changes as a result of the Re-opener.

#### Part A: Formulae for calculating the large onshore transmission investment allowance term (LOTIA<sub>t</sub>) and the large onshore transmission investment Re-opener term (LOTIRE<sub>t</sub>)

- 3.13.4 The value of LOTIA<sub>t</sub> is equal to the baseline allowances in Appendix 1.
- 3.13.5 The value of LOTIRE<sub>t</sub> is the sum of allowances determined in accordance with Parts B and G.

#### Part B: Scope of this Re-opener and pre-application requirements

- 3.13.6 The licensee may, in respect of any LOTI, apply to the Authority for a Project Assessment Decision and an associated modification of Appendix 2 to specify a LOTI Output, a delivery date and associated allowances.
- 3.13.7 Any modification under paragraph 3.13.6 will be made under section 11A of the Act.
- 3.13.8 Before applying for a Project Assessment Decision and an associated modification of Appendix 2, the licensee must:
- (a) obtain approval of eligibility to apply as provided for in Part D, unless relieved of this requirement by the Authority by direction;
  - (b) submit an Initial Needs Case to the Authority for consideration as provided for in Part E, unless relieved of this requirement by the Authority by direction; and

- (c) obtain the Authority's approval of a Final Needs Case as provided for in Part F.

### **Part C: LOTI Outputs**

- 3.13.9 The licensee must deliver the LOTI Outputs specified in Appendix 2 by the delivery dates specified in Appendix 2.

### **Part D: Approval of eligibility to apply for a LOTI Output**

- 3.13.10 Not less than three months prior to the licensee's intended date for submitting an Initial Needs Case, approval of eligibility to apply must be sought by way of written submission to the Authority, unless the Authority relieves the licensee of this requirement by direction, including statements setting out:
  - (a) why the investment is a LOTI;
  - (b) a brief description of the LOTI; and
  - (c) if the licensee considers that the timings for the assessment of the LOTI should be different to the timings set out in Parts E or F, proposed alternative timings.

### **Part E: Initial Needs Case**

- 3.13.11 If the Authority approves eligibility to apply under Part D, or the Authority has relieved the licensee of the requirement to obtain approval of eligibility to apply, the licensee may submit an Initial Needs Case to the Authority for consideration.
- 3.13.12 An Initial Needs Case must be submitted:
  - (a) not less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation; or
  - (b) by such other date as the Authority may direct.

### **Part F: Final Needs Case**

- 3.13.13 If the licensee has submitted an Initial Needs Case to the Authority in respect of which the Authority has published a response, or the Authority has relieved the licensee of the requirement to submit an Initial Needs Case by direction, the licensee may seek the Authority's approval of the Final Needs Case.
- 3.13.14 Unless the Authority otherwise directs, approval may only be sought after the licensee has secured all material planning consents.

### **Part G: Cost And Output Adjusting Event**

- 3.13.15 The licensee may only apply to the Authority for a direction under this Part amending a LOTI Output, delivery date or associated allowances in Appendix 2 where:
  - (a) there has been one or more Cost And Output Adjusting Events; and

(b) if the following requirements are met:

- i. the licensee could not have reasonably foreseen the event or events; and
- ii. the licensee could not have economically and efficiently planned a contingency for the event or events.

3.13.16 The licensee may only apply for a direction under this Part to adjust allowances in Appendix 2 where:

(a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.13.17, calculated before the application of the Totex Incentive Strength Rate, relative to the relevant allowance in Appendix 2 by the event or if there has been more than one event;

- i. by each event; or
- ii. if the Authority has directed that the events in relation to the relevant LOTI Output should count cumulatively towards the percentage threshold, by any one or more events; and

(b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.13.17 The percentage referred to in paragraph 3.13.16 is:

(a) 20%; ~~0%~~

(b) in relation to the Shetland HVDC Link:

- i. for Shetland HVDC Link Covid Costs 0%; or
- ii. for other costs 10%; or

(c) such other percentage as the Authority may specify by direction.

3.13.18 Unless the Authority otherwise directs, the licensee must make any application no later than before the end of the period of three months beginning with the delivery date for the LOTI Output.

3.13.19 An application under this Part must be made in writing and must:

- (a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.13.15 and, where applicable, 3.13.16, has occurred;
- (b) set out any amendments requested to the LOTI Output, the delivery date or associated allowances in Appendix 2;
- (c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 2, which must be designed to keep, so far as is reasonably practicable, the financial position of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and

- (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the LOTI Output, the proposed adjustments to the LOTI Output, the delivery date or associated allowances fairly reflect the effects of the Cost And Output Adjusting Event.
- 3.13.20 A direction under this Part may modify Appendix 2 to:
- (a) amend the description of the LOTI Output to which the Cost and Output Adjusting Event relates;
  - (b) adjust allowances for that LOTI Output;
  - (c) amend the delivery date for that LOTI Output.
- 3.13.21 The Authority may make a direction under this Part where:
- (a) there has been an application under this Part;
  - (b) there has been a Cost And Output Adjusting Event in relation to the relevant LOTI;
  - (c) the requirements of paragraphs 3.13.15 to 3.13.19, where applicable, have been met; and
  - (d) the proposed modifications to Appendix 2 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred.
- 3.13.22 Before making a direction under this Part, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the reasons for the proposed direction; and
  - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## **Part H: LOTI Guidance and Submissions Requirements Document**

- 3.13.23 The licensee must comply with the LOTI Guidance and Submissions Requirements Document when making an application under Part B or Part G, seeking approval under Part D or Part F or making a submission under Part E.
- 3.13.24 The Authority will issue and amend the LOTI Guidance and Submissions Requirements Document by direction.
- 3.13.25 The Authority will publish the LOTI Guidance and Submissions Requirements Document on the Authority's Website.
- 3.13.26 The LOTI Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts B, D, E, F and G.

- 3.13.27 Before directing that the LOTI Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed LOTI Guidance and Submissions Requirements Document;
  - (b) the date on which the Authority intends the LOTI Guidance and Submissions Requirements Document to come into effect; and
  - (c) a period during which representations may be made on the text of the proposed LOTI Guidance and Submissions Requirements Document, which will not be less than 28 days.
- 3.13.28 Before directing an amendment to the LOTI Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended LOTI Guidance and Submissions Requirements Document;
  - (b) the date on which the Authority intends the amended LOTI Guidance and Submissions Requirements Document to come into effect;
  - (c) the reasons for the amendments to the LOTI Guidance and Submissions Requirements Document; and
  - (d) a period during which representations may be made on the amendments to the LOTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

### **Part I: Shetland HVDC Link large project delivery adjustments**

- 3.13.29 In relation to the Shetland HVDC Link, where the LOTI Output is not delivered in full before the delivery date specified in Appendix 2, the Authority will make modifications to the special conditions of this licence to reprofile allowances and to impose a project delay charge by recouping net liquidated damages received by the licensee in accordance with the Project Assessment Decision for Shetland HVDC Link issued on 30 November 2021.
- 3.13.30 Any modifications under paragraph 3.13.29 will be made under section 11A of the Act.

### **Appendix 1**

#### **LOTI baseline allowances (LOTIA<sub>t</sub>) by Regulatory Year (£m)**

		Allowance (£m)			Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
0.00	0.00	0.00	0.00	0.00	0.00

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.  
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## Appendix 2

### LOTI Outputs, delivery dates and allowances (£m)

LOTI Output	Delivery date	Regulatory Year					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Construct, energise and make freely and fully available to the <b>ISOP</b> the Shetland HVDC Link	31-Dec-24	109.3	203.5	170.2	105.1	24.2	5.7
N/A	N/A		N/A	N/A	N/A	N/A	N/A
N/A	N/A		N/A	N/A	N/A	N/A	N/A

## Appendix 3

### Shetland HVDC Link Cost And Output Adjusting Event Table

Risk	Definition	Proposed Treatment
Covid	Additional project costs (up to £10.4m cumulatively) incurred that are directly attributable to the ongoing covid pandemic and not covered by any insurances or contractual arrangements.	Ringfenced no threshold assessment of incurred costs. Costs to be submitted for consideration at the end of project construction.
Physical damage to Flotta oil pipeline	Contractor damage to pipeline occurs during construction. Delays to programme schedule, environmental impact and damage to 3rd party asset.	10% COAE Cost And Output Adjusting Event threshold
Multi-terminal HVDC deployment	Additional project costs incurred that are directly attributable to deploying the multi-terminal HVDC technology and not covered by any insurances or contractual arrangements.	10% COAE Cost And Output Adjusting Event threshold
Extreme weather	Additional costs directly attributable to extent of extreme weather above 1-in-10 year value.	10% COAE Cost And Output Adjusting Event threshold

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## **Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE<sub>t</sub>)**

### **Introduction**

- 3.14.1 The purpose of this condition is to calculate the term MSIPRE<sub>t</sub> (the Medium Sized Investment Projects Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.14.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
  - (b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
  - (c) provide for an assessment of the Price Control Deliverable.
- 3.14.3 This condition also explains the process the Authority will follow when making any changes under this condition.

### **Part A: Formula for calculating the Medium Sized Investment Projects Re-opener term (MSIPRE<sub>t</sub>)**

- 3.14.4 The value of MSIPRE<sub>t</sub> is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

*MSIPO<sub>t</sub>* means the sum of allowances in Appendix 1; and

*MSIPRO<sub>t</sub>* has the value zero unless otherwise directed by the Authority in accordance with Part D.

### **Part B: What is the licensee funded to deliver?**

- 3.14.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

### **Part C: Medium Sized Investment Projects Re-opener**

- 3.14.6 The licensee may apply to the Authority for a modification to the outputs, delivery dates or associated allowances in Appendix 1 in relation to one or more of the following activities:
- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £12.63m more or less than

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the level that could be provided for under Special Condition 3.11 (Generation Connections volume driver);

- (b) a Demand Connection project, including all infrastructure related to that project;
- (c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA;
- (d) a Flooding Defence Project, the purpose of which is to follow:
  - i. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
  - ii. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
- (e) an Electricity System Restoration Project following the establishment of an Electricity System Restoration Standard;
- (f) a system operability or constraint management project that has been requested by the ~~ISOP~~ System Operator;
- (g) projects that are needed in order to meet NETS SQSS requirements regarding security, or system operability;
- (h) Harmonic Filtering projects that are needed following:
  - i. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
  - ii. system studies by the ~~ISOP~~ System Operator or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
- (i) protection projects that are needed following:
  - i. system studies by the ~~ISOP~~ System Operator or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range;
  - ii. system studies by the ~~ISOP~~ System Operator or the licensee showing a need for dynamic line ratings; or
  - iii. system studies by the ~~ISOP~~ System Operator or the licensee showing a need for an operational intertrip;
- (j) data transformation and improvement projects, to implement recommendations regarding specific outputs required to meet principles developed by industry data working groups; and
- (k) SF6 asset interventions, where the licensee can demonstrate a well-justified SF6 Intervention Plan.
- (l) a project identified by ~~the ISOP~~ NGE SO as required to be delivered by 2030; and
- (m) a project required to enable delivery of an ASTI project.

### 3.14.7 The licensee may only apply to the Authority under paragraph 3.14.6 Between:

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- (a) 24 April 2021 and 30 April 2021;
  - (b) 25 January 2022 and 31 January 2022;
  - (c) 25 January 2023 and 31 January 2023;
  - (d) 25 January 2024 and 31 January 2024; and
  - (e) 25 January 2025 and 31 January 2025;
  - (f) or as otherwise directed by the Authority.
- 3.14.8 An application under paragraph 3.14.6 must be made in writing to the Authority and include:
- (a) a statement setting out what Medium Sized Investment Project the application relates to;
  - (b) any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
  - (c) such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements; and
  - (d) an explanation of the basis of the calculation for any adjustments requested to allowances.
- 3.14.9 An application under paragraph 3.14.6 must:
- (a) take account of any expenditure, which can be avoided as a result of the change;
  - (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold, but are less than £100m; and
  - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.
- 3.14.10 Any modifications under this Part will be made under section 11A of the Act.

#### **Part D: Assessment of the Price Control Deliverable ( MSIPRO<sub>t</sub>)**

- 3.14.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for MSIPRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 1.

#### **Part E: What process will the Authority follow in making a direction?**

- 3.14.12 Before making a direction under this Part, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the reasons for the proposed direction; and
  - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.13 A direction under paragraph 3.14.12 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the  $MSIPRO_t$  term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the  $MSIPRO_t$  term.

## Appendix 1

### Medium Sized Investment Project Price Control Deliverable (£m)

Regulatory Year								
MSIP project	Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## Special Condition 3.16 Access Reform Change Re-opener ( $ARR_t$ )

### Introduction

- 3.16.1 The purpose of this condition is to set the value of the term  $ARR_t$  (the Access Reform Change Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.16.2 The effect of this condition is to establish a Re-opener triggered by the Authority to make appropriate adjustments to reflect the impact of an Access Reform Change on:
- (a) the value of  $ARR_t$ ; and
  - (b) the values of the terms in Special Condition 3.11 (Generation Connections volume driver).
- 3.16.3 This condition also explains the process the Authority will follow when making any changes as a result of the Re-opener.

### Part A: The value of the Access Reform Change Re-opener term ( $ARR_t$ )

- 3.16.4 The value of  $ARR_t$  is set out in Appendix 1.

### Part B: Access Reform Change Re-opener

- 3.16.5 This Re-opener may be used by the Authority at any time during the Price Control Period, where:

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- (a) an Access Reform Change has occurred;
  - (b) the Authority has evidence that it is likely the Access Reform Change will lead to a reduction in the cost of Licensed Activity; and
  - (c) the effect, or estimated effect, of the Access Reform Change on the cost of Licensed Activity exceeds the Materiality Threshold.
- 3.16.6 The following modifications to this licence may be made under this Re-opener:
- (a) adjustments to the value of the  $ARR_t$  term; and
  - (b) adjustments to the values of the terms in Special Condition 3.11.
- 3.16.7 The Authority will not make adjustments under this Re-opener in relation to connection projects that are the subject of an agreement with the ~~ISOP~~~~System Operator~~ entered into prior to the date of the Authority's modification.
- 3.16.8 Where the application of paragraph 3.16.7 makes it necessary, the Authority will use this Re-opener to modify the formulae in Special Condition 3.11 to provide for more than one unit cost in a single Regulatory Year.
- 3.16.9 Any modifications made under this Re-opener will be made under section 11A of the Act.

## Appendix 1

### Access Reform Change Re-opener term ( $ARR_t$ ) (£m)

<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
<u>21/22</u>	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

## Special Condition 3.41 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term ( $ASTIR_t$ )

### Introduction

- 3.41.1 The purpose of this condition is to specify the value of the term  $ASTIR_t$  (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.41.2 The effect of this condition is to:
- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;
  - (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1 and the Minimum circuit availability standard after delivery in Appendix 2;

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- (c) provide for an assessment of the Price Control Deliverable; and
  - (d) establish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.
- 3.41.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 as a result of the Re-opener.

**Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term (ASTIR<sub>t</sub>)**

- 3.41.4 The value of ASTIR<sub>t</sub> is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

ASTIA<sub>t</sub> means the allowances in Appendix 1; and

ASTIRA<sub>t</sub> has the value zero unless otherwise directed by the Authority in accordance with Part G.

**Part B: ASTI Outputs**

- 3.41.5 The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.
- 3.41.6 After the ASTI Output has been delivered it must be operational and available for use by ~~the ISOP~~ <sup>NCESO</sup> for the period specified in Appendix 2 after application of the exclusions set out in Chapter 4 of the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

**Part C: Early Construction Funding**

- 3.41.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust ASTIA<sub>t</sub>.
- 3.41.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.41.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.
- 3.41.9 The licensee must notify the Authority in writing of its intention to make an application under 3.41.7 at least 8 weeks before making an application, unless the Authority directs otherwise.
- 3.41.10 A modification under this Part will be made under section 11A of the Act.

**Part D: ASTI Project Assessment Decision**

- 3.41.11 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendices 1 and 2 to:
- (a) specify or amend an ASTI Output, a delivery date and associated allowances; and

- (b) specify the minimum circuit availability standard after delivery for the relevant ASTI Output.
- 3.41.12 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.
- 3.41.13 A modification under this Part will be made under section 11A of the Act.

#### **Part E: ASTI Cost And Output Adjusting Event**

- 3.41.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.
- 3.41.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:
  - (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.41.17, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
    - i. by each event;
    - ii. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold,; and
  - (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.41.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.
- 3.41.17 The percentage referred to in paragraph 3.41.15(a) is:
  - (a) 5%; or
  - (b) such other percentage as the Authority may specify by direction.
- 3.41.18 An application under this Part must be made in writing and must:
  - (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.41.15, or where applicable 3.41.16, has occurred;
  - (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
  - (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the

licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and

- (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.

3.41.19 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
- (c) the requirements of paragraphs 3.41.14 to 3.41.18, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

3.41.20 A modification under this Part will be made under section 11A of the Act.

**Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive)**

3.41.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.9.

3.41.22 A modification under this Part will be made under section 11A of the Act.

**Part G: Assessment of the Price Control Deliverable (ASTIRA<sub>t</sub>)**

3.41.23 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for ASTIRA<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 1.

**Part H: What process will the Authority follow in making a direction?**

3.41.24 Before making a direction under Part G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and

- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.41.25 A direction in respect of Part G will set out:

- (a) the delivery status of the ASTI Output that has not been Fully Delivered;
- (b) the value of the  $ASTIR_t$  term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the  $ASTIR_t$  term.

### **Part I: Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document**

3.41.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

3.41.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.

3.41.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.

3.41.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.

3.41.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.40 (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.9 (ASTI output delivery incentive).

3.41.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

3.41.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

## Appendix 1

### Price Control Deliverable

<b>ASTI Output</b>	<b>Delivery Date</b>	<b>Allowance (ASTIA<sub>t</sub>, £m)</b>	<b>ECF/PA</b>
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Uprate the Beauly to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)	31 December 2030	Have the values given in the ASTI Confidential Annex.	
Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.  
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Arnish to Beaully1.8GW HVDC link  
(Western Isles)

31 December  
2031

Have the values  
given in the ASTI  
Confidential Annex.

## Appendix 2

### ASTI Output availability standard

ASTI Output	Minimum circuit availability standard after delivery (%)		
	0-6 months	6-12 months	12-24 months
Beaully to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)			
Uprate the Beaully to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)			
Beaully to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)			
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)			
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)			
Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)			
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)			
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)			
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)			
Arnish to Beaully1.8GW HVDC link (Western Isles)			

## Chapter 4: Output Delivery Incentives

### Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTO<sub>t</sub>)

#### Introduction

- 4.7.1 The purpose of this condition is to calculate the term SOTO<sub>t</sub> (the SO-TO optimisation output delivery incentive term). This contributes to the calculation of the term ODI<sub>t</sub> (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.7.2 The effect of this incentive is to reward the licensee where it has delivered SO-TO Optimisation Solutions under the STCP11.4 Enhanced Service Provision.

#### Part A: Formula for calculating the SO-TO optimisation output delivery incentive term (SOTO<sub>t</sub>)

- 4.7.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of the term SOTO<sub>t</sub> is derived in accordance with the following formula:

4.7.4 
$$SOTO_t = \min (SOTOSF_t, SOTOS_t, SOTOCAP_t)$$

where:

$SOTOSF_t$  means the SO-TO optimisation sharing factor which has the value of 0.1;

$SOTOS_t$  means the total constraint savings forecasted by the ISOPNGESO for the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and

$SOTOCAP_t$  means the cap of rewards for the SO-TO optimisation output delivery incentive and has the value of £1.2m.

- 4.7.5 For Regulatory Years commencing on or after 1 April 2023, the value of the SOTO<sub>t</sub> term will be zero, unless the Authority directs that the value is to continue being derived in accordance with the formula in paragraph 4.7.3.

#### Part B: SO-TO Optimisation Governance Document

- 4.7.6 The licensee must comply with the SO-TO Optimisation Governance Document.
- 4.7.7 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.
- 4.7.8 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.
- 4.7.9 The SO-TO Optimisation Governance Document will make provision about the governance and administration of the SO-TO Optimisation output delivery incentive, including:

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.  
Special Conditions to Scottish Hydro Electric Transmission Plc's electricity transmission licence – 20 October 2023

- (a) the definition of 'SOTO Optimisation Solutions'; and
  - (b) the reporting obligations in respect of the SO-TO optimisation output delivery incentive.
- 4.7.10 Before issuing the SO-TO Optimisation Governance Document the Authority will publish on the Authority's Website:
  - (a) the text of the proposed SO-TO Optimisation Governance Document;
  - (b) the date on which the Authority intends the SO-TO Optimisation Governance Document to come into effect;
  - (c) a period during which representations may be made on the content of the SO-TO Optimisation Governance Document, which will not be less than 28 days.
- 4.7.11 Before amending the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:
  - (a) the text of the amended SO-TO Optimisation Governance Document;
  - (b) the date on which the Authority intends the amended SO-TO Optimisation Governance Document to come into effect;
  - (c) the reasons for the amendments to the SO-TO Optimisation Governance Document; and
  - (d) a period during which representations may be made on the amendments to the SO-TO Optimisation Governance Document, which will not be less than 28 days.

#### **Part C: SO-TO Optimisation Report**

- 4.7.12 The licensee must prepare a SO-TO Optimisation Report in accordance with the SO-TO Optimisation Governance Document.

# Chapter 5: Other Revenue Allowances

## Special Condition 5.2 RIIO-2 network innovation allowance (NIA<sub>t</sub>)

### Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA<sub>t</sub> (the network innovation allowance term). This contributes to the calculation of the term ORA<sub>t</sub> (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

### Part A: Formula for calculating the network innovation allowance (NIA<sub>t</sub>)

- 5.2.4 Subject to paragraph 5.2.5, the value of the NIA<sub>t</sub> term is derived in accordance with the following formula:

$$NIA_t = 90\% \cdot NIAE_t$$

where:

$NIAE_t$  means the Total NIA Expenditure.

- 5.2.5 The total value of the network innovation allowance over the RIIO-2 Price Control Period is subject to the following cap:

$$\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t)$$

where:

$NIA_t$  is derived in accordance with paragraph 5.2.4.

$TNIA_t$  means the value of the licensee's network innovation allowance as set out in Appendix 1.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

### Part B: The RIIO-2 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-2 NIA Governance Document.
- 5.2.8 The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.

- 5.2.9 The Authority will publish the RIIO-2 NIA Governance Document on the Authority's Website.
- 5.2.10 The RIIO-2 NIA Governance Document will make provision about the governance and administration of the NIA, including:
- (a) the definition of "unrecoverable NIA expenditure";
  - (b) the eligibility criteria, which RIIO-2 NIA Projects must meet;
  - (c) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
  - (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
  - (e) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence and the ISOP;
  - (f) the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
  - (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.
- 5.2.11 Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed RIIO-2 NIA Governance Document;
  - (b) the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
  - (c) a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.
- 5.2.12 Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIO-2 NIA Governance Document;
  - (b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
  - (c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
  - (d) a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

## Appendix 1

### Value of the licensee's network innovation allowance

Licensee	Value of TNIA (£m)
SHET	8.00

## Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA<sub>t</sub>)

### Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA<sub>t</sub> (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA<sub>t</sub> (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

### Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA<sub>t</sub>)

- 5.3.4 For the Regulatory Year commencing on 1 April 2021, the value of CNIA<sub>t</sub> is derived in accordance with the following formula:

$$CNIA_t = (0.9 \cdot \min[ECNIA_t, CNIAV] - CNIAR_t) \frac{PI_{2018/19}}{PI_t}$$

where

ECNIA<sub>t</sub> means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance);

CNIAV is derived in accordance with Part B;

CNIAR means an amount recovered by the licensee in relation to the Regulatory Year 2021/22 under the RIIO-1 Network Innovation Allowance which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document; and

$PI_t$  is the price index derived in accordance with Part F of Special Condition 2.1.

5.3.5 For Regulatory Years commencing on or after 1 April 2022, the value of  $CNIA_t$  is zero.

5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

### **Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)**

5.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_{2020/21} \cdot BR_{2020/21} - (ENIA_{2020/21} + BPC_{2020/21})$$

where:

$NIAV_{2020/21}$  is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

$BR_{2020/21}$  is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

$ENIA_{2020/21}$  is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and

$BPC_{2020/21}$  is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

### **Part C: The RIIO-1 NIA Governance Document**

5.3.8 The licensee must comply with the RIIO-1 NIA Governance Document.

5.3.9 The Authority will amend the RIIO-1 NIA Governance Document by direction.

5.3.10 The RIIO-1 NIA Governance Document makes and will continue to make additional provision in respect of:

- (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence and the ISOP;
- (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
- (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and

- (d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

#### **Part D: Procedure for amending the RIIIO-1 NIA Governance Document**

5.3.11 Before amending the RIIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended RIIIO-1 NIA Governance Document;
- (b) the date on which the Authority intends the amended RIIIO-1 NIA Governance Document to come into effect;
- (c) the reasons for the amendments to the RIIIO-1 NIA Governance Document; and
- (d) a period during which representations may be made on the amendments to the RIIIO-1 NIA Governance Document, which will not be less than 28 days.

# Chapter 6: Pass-through expenditure

## Special Condition 6.1 Pass-through items (PT<sub>t</sub>)

### Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT<sub>t</sub> (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to Users.

### Part A: Formula for calculating the allowed pass-through term (PT<sub>t</sub>)

- 6.1.3 The value of the PT<sub>t</sub> term is derived in accordance with the following formula:

$$PT_t = RB_t + EDE_t + TPD_t + SHCP_t$$

where:

- $RB_t$  means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- $EDE_t$  means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year, as further explained and elaborated upon in the ET2 Price Control Financial Handbook;
- $TPD_t$  means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the ~~ISOP System Operator as part of its Balancing Services Activity~~ balancing services activity in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC; and
- $SHCP_t$  means the ENS compensatory payments pass-through term in Special Condition 6.2 (Energy not supplied compensatory pass-through).

### Part B: Review of Prescribed Rates pass-through term (RB<sub>t</sub>)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- (a) engage with the Relevant Valuation Agency; and
  - (b) use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB<sub>t</sub> by direction.

# Chapter 7: Legacy adjustments

## Special Condition 7.11 RIIO-ET1 network innovation competition

### Introduction

- 7.11.1 The NIC ran during the RIIO-ET1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements relating to the regulation, administration and governance of NIC Funding.
- 7.11.2 Parts A and D are supplemented by the relevant provisions of the NIC Governance Document.

### Part A: The Funding Return Mechanism

- 7.11.3 The Authority may direct how Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 7.11.4 In each Regulatory Year, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:
- (a) the amount of any Funding Return that the licensee must pay to the ~~ISOP~~System Operator; and
  - (b) the manner in which and the timescale over which the licensee must pay that amount.

### Part B: The NIC Governance Document

- 7.11.5 The licensee must comply with the NIC Governance Document.
- 7.11.6 The Authority will amend the NIC Governance Document by direction.
- 7.11.7 The Authority will publish the NIC Governance Document on the Authority's Website.
- 7.11.8 The NIC Governance Document makes and will continue to make provision about:
- (a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);
  - (b) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Transmission Licensees, ~~the ISOP~~, and holders of Distribution Licences;
  - (c) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such

projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);

- (d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- (e) any other matters relating to the governance of the NIC.

### **Part C: Procedure for amending the NIC Governance Document**

7.11.9 Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended NIC Governance Document;
- (b) the date on which the Authority intends the amended NIC Governance Document to come into effect;
- (c) the reasons for the amendments to the NIC Governance Document; and
- (d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

### **Part D: Successful Delivery Reward**

7.11.10 The Authority may direct that the ~~ISOP System Operator~~ pay the licensee a Successful Delivery Reward, in accordance with the provisions of the NIC Governance Document.

# Chapter 9: General Obligations

## Special Condition 9.7 Directly Remunerated Services

### Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

### Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
- 9.7.5 Directly Remunerated Services are:
- (a) services that comply with the general principle set out in Part B; or
  - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
  - (c) services that the Authority directs are to be treated as Directly Remunerated Services C to the extent that they comply with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

### Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activities is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- (a) Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction); and
  - (b) charges arising from any activity carried out under the provisions of Special Condition 7.11 (RIIO-ET1 network innovation competition) which results in Returned Royalty Income for the licensee.

## Part C: Categories of Directly Remunerated Services

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 Directly Remunerated Services will include the following services:
- (a) DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).
  - (b) DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.
  - (c) DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
  - (d) DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's transmission system to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.
  - (e) DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change as reimbursed by the ~~ISOP System Operator~~.
  - (f) DRS6. Emergency Services: (Not applicable to Electricity Transmission)
  - (g) DRS7. PARCA Activities: (Not applicable to Electricity Transmission)
  - (h) DRS8. Independent System Operation: (Not applicable to Electricity Transmission)
  - (i) DRS9. Network Innovation Funding: Payments made by the ~~ISOP System Operator~~ to the licensee in respect of NIC funding in accordance with Special Condition 7.11 (RIIO-ET1 network innovation competition).
  - (j) DRS10. Value Added Services: (Not applicable to Electricity Transmission)
  - (k) DRS11. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission)

- (l) DRS12. Revenue protection services: (Not applicable to Electricity Transmission)
- (m) DRS13. Metering Services: (Not applicable to Electricity Transmission)
- (n) DRS14. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission)
- (o) DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:
- (p) is for the specific benefit of any third party who requests it; and
- (q) is not made available by the licensee as a normal part of the activities of its Transmission ~~Owner~~ Business Activities.

## **Part D: Procedure for issuing directions**

- 9.7.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.
- 9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

## **Special Condition 9.10 Network Access Policy**

### **Introduction**

- 9.10.1 This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective liaison between the ~~ISOP System Operator~~ and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers and network Users.

### **Part A: Network Access Policy**

- 9.10.2 The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.
- 9.10.3 The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.
- 9.10.4 The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.
- 9.10.5 The Network Access Policy must include:
  - (a) details of the actions that the licensee will take to coordinate with the ~~ISOP System Operator~~ and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network Users;

- (b) details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
- (c) details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.10.5(a) and (b); and
- (d) a description of the licensee's communication and coordination strategy for interacting with the ~~ISOP System Operator~~, other Transmission Owners, and Users.

## **Part B: Revisions to the Network Access Policy**

- 9.10.6 The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review the Network Access Policy and propose such revisions as may be necessary in order to ensure that the information contained in the policy continues to be accurate and consistent with this condition.
- 9.10.7 Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the ~~ISOP System Operator~~ and, if appropriate, to any other relevant Transmission Licensees:
- (a) a copy of the proposed revisions;
  - (b) an explanation of the reasons for the proposed revisions; and
  - (c) such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.
- 9.10.8 The Authority will:
- (a) approve the proposed revisions;
  - (b) reject the proposed revisions; or
  - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.10.9 Before taking any action under paragraph 9.10.8, the Authority will consult the Transmission Owners, the ~~ISOP System Operator~~ and such other interested parties as it considers appropriate.

## **Part C: Availability of the Network Access Policy**

- 9.10.10 The licensee must ensure that the Network Access Policy is readily accessible to the public from the licensee's website.
- 9.10.11 If the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.10.10 is updated during the period of ten Working Days beginning with the date of the approval.

## Special Condition 9.11 Provision of information to the System Operator ISOP

### Introduction

9.11.1 The purpose of this condition is to require the licensee to notify the ISOP ~~System Operator~~ of the revenue to be collected via Network Charges.

### Part A: Statement of the $TSP_t$ value

9.11.2 On or before the 5<sup>th</sup> business day in October and 7 January of the Regulatory Year  $t-1$ , the licensee must notify the ISOP ~~System Operator~~ of its best estimate for the  $TSP_t$  term.

9.11.3  $TSP_t$  means an amount no more than  $AR_t$  as calculated in accordance with Special Condition 2.1 (Revenue restriction).

9.11.4 The licensee must keep under review the estimates notified to the ISOP ~~System Operator~~ pursuant to paragraph 9.11.2 and, if at any time, the licensee reasonably considers that the value of  $TSP_t$ , notified to the ISOP ~~System Operator~~ will be significantly different to the estimates previously notified to the ISOP ~~System Operator~~, the licensee must notify the ISOP ~~System Operator~~ of the updated value for  $TSP_t$  as soon as reasonably practicable.

9.11.5 By 30 April of each Regulatory Year  $t$ , the licensee must provide the Authority with a statement showing the following:

- (a) the value of  $TSP_t$  notified to the ISOP ~~System Operator~~ in the Regulatory Year  $t-1$ ;
- (b) the aggregate amount of the licensee's connection charges in Regulatory Year  $t-1$  which are not remunerated under Special Condition 2.1 (Revenue restriction); and
- (c) the aggregate amount of the licensee's charges in Regulatory Year  $t-1$  in respect of Outage Changes.

## Special Condition 9.19 The strategic innovation fund ( $SIF_t$ )

### Introduction

9.19.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term  $SIF_t$ .

9.19.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from ~~the ISOP~~ NGESO (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

9.19.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

## Part A: Determination of the value of the SIFt term

- 9.19.4 The SIFt term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the ISOPNGESO, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of condition F2 (Innovation funding)Part A of Special Condition 3.4 (The strategic innovation fund) in the Electricity System Operator LicenceTransmission Licence held by NGESO.
- 9.19.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the Electricity System Operator LicenceNGESO's ~~Transmission Licence~~ the Authority will calculate and then, by direction given to the licensee specify:
- (a) the value of the SIFt term;
  - (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
  - (c) the manner in which and the timescale over which the ISOPNGESO is required to transfer that amount to the licensee or vice versa.

## Part B: The SIF Funding Return Mechanism

- 9.19.6 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 9.19.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:
- (a) the amount of any SIF Funding Return that the licensee must pay to the ISOPNGESO; and
  - (b) the manner in which and the timescale over which that amount is to be paid.
- 9.19.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.19.7.

## Part C: The SIF Governance Document

- 9.19.9 The licensee must comply with the SIF Governance Document.
- 9.19.10 The Authority will issue and amend the SIF Governance Document by direction.
- 9.19.11 The Authority will publish the SIF Governance Document on the Authority's Website.
- 9.19.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:

- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
- (b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;
- (c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
- (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Transmission Licensees and the ISOP;
- (e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
- (f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

#### **Part D: Procedure for issuing and revising the SIF Governance Document**

9.19.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

- (a) the text of the proposed SIF Governance Document;
- (b) the date that the Authority intends the SIF Governance Document to come into effect; and
- (c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.

9.19.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended SIF Governance Document;
- (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
- (c) the reasons for the amendment to the SIF Governance Document; and
- (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

9.19.15 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.