

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.

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.

Appropriate Auditor	means: (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; (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 (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.
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	means: (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller of the licensee; (c) a Participating Owner of the licensee; and (d) a Common Control Company.
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.

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 the ISOP 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 www.ofgem.gov.uk .
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	means the high voltage electric lines and electrical plant which comprise the following components: (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; (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 (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.
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 _t 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 ₂ 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 the ISOP pursuant to Condition E2 (Connection and Use of System Code (CUSC)) of the Electricity System Operator Licence, as from time to time modified in accordance with that condition.

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CVP	means the consumer value propositions which were submitted by the licensee in its Business Plan and accepted by the Authority in its RII0-2 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 ISOP 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 and Electricity Distribution Licensees and the ISOP), 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 or Electricity Distribution Licensee and the ISOP) 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

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	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: (a) strategic land purchases; (b) early enabling works; (c) early procurement commitments; and/or (d) other activities approved in advance by the Authority.
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.
Electricity System Operator Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).

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 ISOP 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 or the ISOP 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 or the ISOP 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, ISOP-Requested Load Shedding; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a court or Competent

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	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 RII0-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 RII0-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 Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).

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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.

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 and the ISOP, in each case to such extent (if any) as may be relevant, of: (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.
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 ISOP 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 https://ghgprotocol.org/
Grid Code	means the grid code required to be drawn up by the ISOP pursuant to Condition E3 (Grid Code) of the Electricity System Operator 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 or the ISOP) 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 RII0-2 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 ₂ 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	means any event on the licensee's Transmission System that causes energy not to be supplied to a customer, subject to the following exclusions: (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); (b) any energy not supplied resulting from a shortage of available generation; (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; (d) any energy not supplied resulting from a User's request for disconnection in accordance with the Grid Code; (e) any energy not supplied resulting from emergency de-energisation by a User as defined in the CUSC; (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 (g) any event lasting less than or equal to three minutes.
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	means: (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 (b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.
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.

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.
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.
ISOP	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
ISOP-Requested Load Shedding	means a request by the ISOP 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.
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 Ardnail 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 Owner Activity" 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.
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.
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.
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 and the ISOP, in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.
NIC Funding Mechanism	is the mechanism by which the licensee receives the amount of NIC Funding from the ISOP, 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 Condition C13 (The Network Options Assessment (NOA) process and reporting requirements) of the Electricity System Operator Licence.
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).

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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).
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 ISOP 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 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 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: (a) surveys, assessments and studies; (b) project design; (c) engineering development; (d) stakeholder engagement and consultation; (e) tasks associated with wayleaves; (f) planning applications; (g) tender activities; and /or (h) other activities as may be approved by the Authority 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: (a) business rates in England and Wales; and (f) (b) non-domestic rates in Scotland 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: a) on the LOTI Output, delivery date and associated allowances to be specified in Appendix 2 to Special Condition 3.13; and 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.

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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).
Relevant Other Competitive Businesses	means the business of: (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; (b) an Offshore Transmission Owner; (c) undertaking carbon capture and storage activities; or (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.
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	means: (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
Relevant Year	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
Renewable Energy Zone	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
Re-opener	means the mechanisms created by: (a) Special Conditions 3.8, 3.13, 3.16, and 3.28; and (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

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	of Special Condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).
Re-opener Guidance and Application Requirements Document	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).
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 ISOP 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 and the ISOP), 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.
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.

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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.
Shetland HVDC Link	means the high voltage electric lines and electrical plant which: (a) comprise the following components: (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: (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; (B) any Renewable Energy Zone; and (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; (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 CaithnessMoray HVDC Link via the Noss Head switching station; (iii) cables to connect the HVDC converter station described in sub-paragraph (ii) to an alternating current substation at Upper Kergord on Shetland; and, (iv) cables and tie-in works with the existing Caithness-Moray HVDC Link at Noss Head; and (b) does not transmit electricity for the purposes of offshore transmission as defined in the Act.
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 the ISOP 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 the ISOP 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 the ISOP, 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 the ISOP, as may be relevant in each of the following cases to such extent (if any) as may be relevant, of: a) SIF Halted Project Revenues; b) SIF Disallowed Expenditure; c) SIF Returned Royalty Income; and d) SIF Returned Project Revenues.
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 the ISOP 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: a) revenues received by the licensee from the ISOP 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
	b) revenues earned from Eligible SIF Projects by the licensee other than Returned Royalty Income, that the Authority determines are payable to customers.
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 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 ISOP's website https://www.nationalgrideso.com/
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.
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.
T/CO ₂ 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: (a) the licensee's Totex Allowance; and (b) the licensee's actual totex expenditure.
Totex Incentive Strength	has the value 36%
Towers	means steel structures used to support power carrying conductors and insulators at a distance.
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

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	the north of the landing point at Ards 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 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 in Condition A1 (Definitions) of the Electricity System Operator Licence.
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Owner Activity	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).
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.
Use It Or Lose It Adjustment	means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to: (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),

	(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); (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 ; (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) which will not exceed the allowance provided
User	means any person (other than the ISOP 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.
Visual Impact Mitigation Price Control Deliverables	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).
WACC	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.
Western HVDC Link	means the high voltage electric lines and electrical plant which comprise the following components: (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; (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 (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 (RIIO-2 network innovation allowance).

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" 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 2: Revenue restriction

Special Condition 2.1 Revenue restriction

Introduction

- 2.1.1 The purpose of this condition is to ensure that the licensee sets Network Charges to aim to recover no more than Allowed Revenue.
- 2.1.2 This condition also provides for the calculation of the term AR_t (the Allowed Revenue term).

Part A: Licensee's obligation when setting Network Charges

- 2.1.3 The licensee must, when setting Network Charges use its best endeavours to ensure that Recovered Revenue does not exceed Allowed Revenue.

Part B: Recovered Revenue term (RR_t)

- 2.1.4 Recovered Revenue (RR_t) means the revenue (measured on an accruals basis) derived from the provision of Transmission Network Services (including to any separate business, other than the Transmission Business) in the Regulatory Year, after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so derived.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

- 2.1.5 The value of AR_t is derived in accordance with the following formula:

$$AR_t = ADJR_t^* + K_t + LAR_t$$

where:

$ADJR_t^*$ means adjusted revenue as issued to the licensee by the Authority pursuant to paragraph 8.2.10 of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t ;

K_t means the K correction term and is derived in accordance with Part H of this condition; and

LAR_t is derived in accordance with Special Condition 7.1 (Legacy adjustments to revenue).

Part D: Formula for calculating Adjusted Revenue ($ADJR_t$)

- 2.1.6 The value of $ADJR_t$ is derived in accordance with the following formula:

$$ADJR_t = R_t \frac{PI_t}{PI_{2018/19}} + ADJ_t$$

where:

- R_t means the Calculated Revenue term calculated in accordance with Paragraph 2.1.7 of this condition;
- PI_t means the price index term derived in accordance with Part F; and
- ADJ_t means the AIP adjustment term derived in accordance with Part G.

Part E: Formula for calculating the Calculated Revenue term (R_t)

2.1.7 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + ODI_t + BPI_t + ORA_t + TAX_t + TAXA_t$$

where:

- FM_t means fast money and has the value set out in the “Revenue” sheet of the ET2 Price Control Financial Model;
- PT_t is derived in accordance with Special Condition 6.1 (Pass-through items);
- DPN_t means depreciation and has the value set out in the “Revenue” sheet of the ET2 Price Control Financial Model;
- RTN_t means return and has the value set out in the “Revenue” sheet of the ET2 Price Control Financial Model;
- $RTNA_t$ means return adjustment and is derived in accordance with Special Condition 2.3 (Return Adjustment);
- EIC_t means equity issuance costs and has the value set out in the “Revenue” sheet of the ET2 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the “Revenue” sheet of the ET2 Price Control Financial Model;
- ODI_t is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- BPI_t means the business plan incentive term and has the value in the “Revenue” sheet of the ET2 Price Control Financial Model, unless the Authority directs otherwise under Special Condition 4.8 (Consumer value proposition);
- ORA_t means other revenue allowances and is derived in accordance with Special Condition 5.1 (Total other revenue allowances);
- TAX_t has the value set out in the “Revenue” sheet of the ET2 Price Control Financial Model; and
- $TAXA_t$ means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.2 (Tax allowance adjustment).

Part F: Formula for calculating the price index term (PI_t)

2.1.8 The value of PI_t is the arithmetic average value of each of the twelve monthly values of PI_m from 1 April to 31 March within Regulatory Year t derived in accordance with the following formula:

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$$PI_m = \begin{cases} RPI_m, & \text{if } m < \text{April 2021} \\ PI_{m-1} \left(0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}} \right), & \text{if } m = \text{April 2021} \\ PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > \text{April 2021} \end{cases}$$

where

where:

m refers to a year and month

RPI_m means the Retail Prices Index for the year and month m

$CPIH_m$ means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m .

Part G: AIP adjustment term (ADJ_t)

2.1.9 For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.

2.1.10 For subsequent Regulatory Years, the value of ADJ_t is derived in accordance with the following formula:

$$ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*)(1 + TVM_{t-1})$$

where:

$ADJR_t$ is derived in accordance with Part D;

$ADJR_t^*$ means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t ; and

TVM_t means the time value of money term derived in accordance with paragraph 2.1.11.

2.1.11 The value of TVM_t is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

where:

$WACC_t$ 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; and

PI_t means the price index derived in accordance with Part F.

Part H: Correction term (K_t)

2.1.12 For the Regulatory Year commencing on 1 April 2020, the value of K is zero.

2.1.13 For subsequent Regulatory Years, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\%)$$

where

AR_t for Regulatory Years commencing on or after 1 April 2021 AR_t is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2020 AR_t has the value of Allowed Transmission Owner Revenue derived in accordance with Part B of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021;

RR_t means Recovered Revenue and is derived in accordance with Part B; and

I_t means the average value of SONIA.

Special Condition 2.2 Tax allowance adjustment ($TAXA_t$)

Introduction

2.2.1 The purpose of this condition is to establish a process for setting the value of the term $TAXA_t$ (the tax allowance adjustment term), which contributes to Calculated Revenue in Special Condition 2.1 (Revenue restriction).

2.2.2 The effect is to adjust Calculated Revenue, if required following a review of material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook.

2.2.3 It also explains the process the Authority will follow when directing any change as a result of the tax review.

Part A: Undertaking a tax review

2.2.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook.

2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and given the reasons for that decision, the licensee must:

- (a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability and submit a report to the Authority;
 - (b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
 - (c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority and the examiner after discussing with the examiner; and
 - (d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority following discussion with the examiner.
- 2.2.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
- (a) direct any adjustment to the value of the $TAXA_t$ term that it considers should be made taking account of the report, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook; and
 - (b) specify the Regulatory Years to which that adjustment relates.

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

- 2.2.7 Before making a direction under paragraph 2.2.6, 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 on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.3 Return Adjustment ($RTNA_t$)

Introduction

- 2.3.1 The purpose of this condition is to calculate the term $RTNA_t$ (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.3.2 The effect of this condition is to adjust Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.3.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.3.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.3.5 Following its review, the Authority will direct any adjustment to the value of the term $RTNA_t$ in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term ($RTNA_t$)

- 2.3.6 The value of $RTNA_t$ is derived in accordance with the following formula:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G)}$$

where:

$RTNR$ means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.3.7 and 2.3.8;

$RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ET2 Price Control Financial Model; and

G means notional gearing, and has the value of 55%.

- 2.3.7 Where Operational Performance is equal to or greater than zero, the value of $RTNR$ is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot$$

$$[-MAX(MIN(OPP, T2) - T1, 0) \cdot AR1 - MAX(OPP - T2, 0) \cdot AR2]$$

where:

$RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ET2 Price Control Financial Model;

G means notional gearing, and has the value of 55%;

OPP means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ET2 Price Control Financial Model;

$T1$ means threshold 1, and has the value of 3%;

$T2$ means threshold 2, and has the value of 4%;

$AR1$ means adjustment rate 1, and has the value of 50%; and

$AR2$ means adjustment rate 2, has the value of 90%.

- 2.3.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot$$

$$[MAX (MIN(-OPP, T2) - T1, 0) \cdot AR1 + MAX(-OPP - T2, 0) \cdot AR2]$$

where each term has the meaning given in paragraph 2.3.7.

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

- 2.3.9 Before making a direction under paragraph 2.3.5, 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 on the proposed direction may be made, which will not be less than 28 days.
- 2.3.10 A direction under paragraph 2.3.5 will set out the value of the RTNA_t term and the Regulatory Years to which that adjustment relates.

Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs (NARM_t)

Introduction

- 3.1.1 This condition specifies the value of the term NARM_t (the Baseline Allowed NARM Expenditure term), which contributes to the calculation of the Totex Allowance.
- 3.1.2 The purpose of this condition is to:
- (a) set out the Baseline Network Risk Outputs that the licensee is funded to deliver;
 - (b) provide for a mechanism to adjust funding and for the application of a penalty in certain circumstances;
 - (c) provide for the Rebasing of Baseline Network Risk Outputs; and
 - (d) require the licensee to provide a close out report.
- 3.1.3 This condition also establishes:
- (a) NARM Handbook;
 - (b) the Network Asset Risk Workbook; and
 - (c) a robust and transparent change control framework for those documents.

Part A: Value of the Baseline Allowed NARM Expenditure term (NARM_t)

- 3.1.4 The value of NARM_t is set out in Appendix 1.
- 3.1.5 [Not used]

Part B: Requirement to deliver Baseline Network Risk Outputs

- 3.1.6 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 1.
- 3.1.7 Where the Outturn Network Risk Outputs are different to the Baseline Network Risk Outputs, any funding adjustments and penalties will be calculated by the Authority in accordance with the NARM Handbook and using the data in the Network Asset Risk Workbook.

Part C: Rebasing of Baseline Network Risk Outputs

- 3.1.8 The licensee must, when submitting Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:
- (a) calculated using the NARM Methodology approved under paragraph 9.2.9 of Special Condition 9.2;

- (b) representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
 - (c) Equally Challenging as the Baseline Network Risk Outputs; and
 - (d) in the same format as the Network Asset Risk Workbook.
- 3.1.9 Where the licensee proposes Rebased Baseline Network Risk Output in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:
 - (a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.8;
 - (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.8; or
 - (c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.8 and the Authority is unable to adjust them to make them satisfy those criteria.
- 3.1.10 Before issuing a direction under paragraph 3.1.9, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons for the proposed direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.1.11 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.9(a) or (b):
 - (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
 - (b) the direction under paragraph 3.1.9(a) or (b) will modify Appendix 1 to reflect this.

Part D: Requirement to provide a closeout report

- 3.1.12 On or before 31 October 2026, the licensee must provide to the Authority a report, together with detailed supporting evidence, setting out the following:
 - (a) the licensee's Outturn Network Risk Outputs and a breakdown of those Outturn Network Risk Outputs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);

- (b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
- (c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Output or Outturn Network Risk Outputs;
- (d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified; and
- (e) details of any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers qualify as ‘clearly identifiable over-delivery’ or ‘clearly identifiable under-delivery’ as per the criteria set out in the NARM Handbook.

Part E: The NARM Handbook

- 3.1.13 The NARM Handbook forms part of this condition.
- 3.1.14 The Authority will publish the NARM Handbook on the Authority’s Website.
- 3.1.15 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.16 that if made would improve the clarity or usefulness to users of the NARM Handbook.
- 3.1.16 The following categories of modifications may be made under this Part:
 - (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, renaming or re-ordering of sections;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the Network Asset Risk Workbook;
 - (e) correction of manifest errors; and
 - (f) changes to the guidance provided by the NARM Handbook.
- 3.1.17 Before amending the NARM Handbook by direction, the Authority will publish on the Authority’s Website:
 - (a) the text of the amended NARM Handbook;
 - (b) the date on which the Authority intends the amended NARM Handbook to come into effect;
 - (c) the reasons for the amendments to the NARM Handbook; and

- (d) a period during which representations may be made on the amendments to the NARM Handbook, which will not be less than 28 days.
- 3.1.18 The Authority will ensure that any modifications of the NARM Handbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the NARM Handbook maintained on the Authority's Website.

Part F: The Network Asset Risk Workbook

- 3.1.19 The Network Asset Risk Workbook forms part of this condition.
- 3.1.20 The Authority will:
 - (a) send to the licensee the Network Asset Risk Workbook; and
 - (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.
- 3.1.21 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.22 that if made would improve the clarity or usefulness to users of the Network Asset Risk Workbook.
- 3.1.22 The following categories of modifications may be made under this Part:
 - (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the NARM Handbook; and
 - (e) correction of manifest errors.
- 3.1.23 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:
 - (a) the amended Network Asset Risk Workbook;
 - (b) the date on which the Authority intends the amended Network Asset Risk Workbook to come into effect;
 - (c) the reasons for the amendments to the Network Asset Risk Workbook; and
 - (d) a period during which representations may be made on the amendments to the Network Asset Risk Workbook, which will not be less than 28 days.

3.1.24 The Authority will:

- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;
- (b) send the consolidated version to the licensee; and
- (c) maintain a redacted consolidated version on the Authority's Website.

Appendix 1

Cumulative total of Baseline Network Risk Output (R£m*) and Baseline Allowed NARM Expenditure (NARM _t) for delivering Baseline Network Risk Outputs (£m)						
Baseline Network Risk Output (R£m)	Baseline Allowed NARM Expenditure, excluding RPEs (£m)					RIIO-2 Total
	2021/22	2022/23	2023/24	2024/25	2025/26	
8,833.36	92.60	156.83	153.22	216.76	110.18	729.61

* RE is the unit used to denote Monetised Risk values.

Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT_t and CROTRE_t)

Introduction

- 3.2.1 The purpose of this condition is to calculate the terms CROT_t (the cyber resilience OT baseline term) and CROTRE_t (the cyber resilience OT non-baseline term). These contribute to the calculation of the Totex Allowance.
- 3.2.2 The effect of this condition is to:
- (a) establish the Cyber Resilience OT Baseline Allowances Table;
 - (b) establish the Cyber Resilience OT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to OT;
 - (c) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience OT PCD Table;
 - (d) require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;

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 – 08 October 2024

- (e) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT PCD Table during the Price Control Period;
 - (f) require the licensee to report regularly to the Authority on cyber resilience OT; and
 - (g) provide for an assessment of delivery under this condition, including a Use It Or Lose It Adjustment.
- 3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.16, or 3.2.18.

Part A: Formulae for calculating the cyber resilience OT baseline term ($CROT_t$) and the cyber resilience OT non-baseline term ($CROTRE_t$)

- 3.2.4 The value of $CROT_t$ is derived in accordance with the following formula:

$$CROT_t = CROTA_t - CROTRA_t$$

where:

- $CROTA_t$ means the allowances in the Cyber Resilience OT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.2.11(d)(i); and
- $CROTRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

- 3.2.5 The value of $CROTRE_t$ is derived in accordance with the following formula:

$$CROTRE_t = CROTO_t - CROTRO_t$$

where:

- $CROTO_t$ means the allowances directed by the Authority ~~as amended~~ as a result of circumstances set out in paragraphs 3.2.11(a) to (c) and (d)(ii); and
- $CROTRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Cyber resilience OT outputs

- 3.2.6 The Cyber Resilience OT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

- 3.2.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience OT PCD Table.

Part C: Requirement to submit a Cyber Resilience OT Plan and Re-opener application

- 3.2.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:
- (a) a Cyber Resilience OT Plan; and
 - (b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as it considers are warranted by its Cyber Resilience OT Plan.
- 3.2.9 A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes.
- 3.2.10 An application under paragraph 3.2.8(b) must be made in writing and:
- (a) include statements:
 - i. setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience OT PCD Table;
 - ii. explaining how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes; and
 - iii. explaining the basis of the calculations for any amendments requested to allowances; and
 - (b) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience OT Re-opener

- 3.2.11 This Part establishes a Re-opener that may be used where there are:
- (a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
 - (b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
 - (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT; or
 - (d) errors to correct or refinements required to:

- i. existing outputs, delivery dates or allowances set as part of RII0-2 Final Determinations; or
 - ii. other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to OT.
- 3.2.12 The licensee may only apply to the Authority for changes under this Re-opener Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.
- 3.2.13 The Authority may instigate changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.11.
- 3.2.14 An application under paragraph 3.2.12 must be made in writing to the Authority and must:
 - (a) give details of the circumstances referred to in paragraph 3.2.12 that the licensee considers exist;
 - (b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience OT Baseline Allowances Table or the Cyber Resilience OT PCD Table;
 - (c) explain how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
 - (d) explain the basis of the calculations for any amendments requested to allowances; and
 - (e) provide such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.15 An application under paragraph 3.2.12 must:
 - (a) relate to circumstances of the type referred to in paragraph 3.2.11 that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.8;
 - (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.
- 3.2.16 The Authority may only make changes under this Re-opener by direction:
 - (a) where a circumstance in paragraph 3.2.11 exists;
 - (b) if an application was made by the licensee under paragraph 3.2.12, where the requirements in paragraphs 3.2.14 and 3.2.15 have been met;

- (c) if the relevant circumstance is that set out in paragraphs 3.2.11(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to OT;
- (d) if the relevant circumstance is that set out in paragraph 3.2.11(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to OT;
- (e) if the relevant circumstance is that set out in paragraph 3.2.11(d), where a change to an existing output is justified:-
 - i. in order to correct an error; or
 - ii. because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to OT; and
- (f) where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to OT.

3.2.17 A direction under this Part:

- (a) may adjust allowances in the Cyber Resilience OT Baseline Allowances Table as a result of circumstances set out in paragraph 3.2.11(d)(i);
- (b) may amend outputs, delivery dates and allowances in the Cyber Resilience OT PCD Table;
- (c) may modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT PCD Table;
- (d) will set out the value of the $CROTA_t$ and $CROTO_t$ terms, where these are being adjusted; and
- (e) must be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of delivery under this condition ($CROTRA_t$ and $CROTO_t$)

3.2.18 The Authority will direct a value for $CROTRA_t$ and $CROTO_t$ where either of the following is appropriate:

- (a) an adjustment in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table; or
- (b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

Part F: Reporting Requirements

- 3.2.19 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
- (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table;
 - (c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
 - (d) a description of how the licensee has considered any relevant guidance provided by the Authority;
 - (e) a summary of the current status of CAF Outcomes; and
 - (f) detailed supporting evidence as is reasonable in the circumstances.
- 3.2.20 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.19 by no later than the dates, and in relation to the periods, set out in Appendix 3.

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

- 3.2.21 Before making a direction under paragraph 3.2.8, 3.2.16, or 3.2.18 the Authority will send to the licensee:
- (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.
- 3.2.22 A direction under paragraph 3.2.18 will set out the value of the CROTR_t and CROTRO_t term and the Regulatory Years to which those adjustments relate, and where the direction is under paragraph 3.2.18(a) will set out:
- (a) the delivery status of the output that has not been Fully Delivered; and
- 3.2.23 the methodology and data that has been used to decide the delivery status and value of any adjustments to the CROTR_t and CROTRO_t terms.

Appendix 1

Title and publication date of document containing the Cyber Resilience OT Baseline Allowances Table

Title	Publication Date
RIIO-2 Final Determinations - SHETL OT Cyber Resilience (REVISED)	3 February 2021

Appendix 2

Title and publication date of document containing the Cyber Resilience OT PCD Table

Title	Publication Date
RIIO2 – SHET Cyber Resilience Operational Technology Re-opener Decision	14 August 2024

Appendix 3

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 April to 31 March

Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT_t and CRITRE_t)

Introduction

- 3.3.1 The purpose of this condition is to calculate the terms CRIT_t (the Cyber resilience baseline term) and CRITRE_t (the cyber resilience IT non-baseline term) These contribute to the calculation of the Totex Allowance.
- 3.3.2 The effect of this condition is to:
- (a) establish the Cyber Resilience IT Baseline Allowances Table;
 - (b) establish the Cyber Resilience IT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to IT;
 - (c) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;

- (d) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
 - (e) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table during the Price Control Period;
 - (f) require the licensee to report regularly to the Authority on cyber resilience IT; and
 - (g) provide for an assessment of the Price Control Deliverable.
- 3.3.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.3.8, 3.3.16, or 3.3.18

Part A: Formulae for calculating the cyber resilience IT baseline term ($CRIT_t$) and the cyber resilience IT Re-opener non-baseline term ($CRITRE_t$)

- 3.3.4 The value of $CRIT_t$ is derived in accordance with the following formula:

$$CRIT_t = CRITA_t - CRITRA_t$$

where:

- $CRITA_t$ means the allowances in the Cyber Resilience IT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.3.11 (d)(i); and
- $CRITRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

- 3.3.5 The value of $CRITRE_t$ is derived in accordance with the following formula:

$$CRITRE_t = CRITO_t - CRITRO_t$$

where:

- $CRITO_t$ means the allowances directed by the Authority as a result of circumstances set out in paragraphs 3.3.11(a) to (c) and (d)(ii); and
- $CRITRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Cyber resilience IT outputs

- 3.3.6 The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

- 3.3.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application

- 3.3.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:
- (a) a Cyber Resilience IT Plan; and
 - (b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan.
- 3.3.9 A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems.
- 3.3.10 An application under paragraph 3.3.8(b) must be made in writing and:
- (a) include statements:
 - i. setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table;
 - ii. explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems; and
 - iii. explaining the basis of the calculations for any amendments requested to allowances; and
 - (b) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience IT Re-opener

- 3.3.11 This Part establishes a Re-opener that may be used where there are:
- (a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;
 - (b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite;
 - (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT; or
 - (d) errors to correct or refinements required to:
 - i. outputs, delivery dates or allowances set as part of RII0-2 Final Determinations; or

- ii. other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to IT.
- 3.3.12 The licensee may only apply to the Authority for changes under this Re-opener Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.
- 3.3.13 The Authority may instigate changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.3.11.
- 3.3.14 An application under paragraph 3.3.12 must be made in writing to the Authority and must:
 - (a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;
 - (b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT Baseline Allowances Table or the Cyber Resilience IT PCD Table;
 - (c) explain how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems;
 - (d) explain the basis of the calculations for any amendments requested to allowances; and
 - (e) include such detailed supporting evidence as is reasonable in the circumstances.
- 3.3.15 An application under paragraph 3.3.12 must:
 - (a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;
 - (b) take account of any allowed expenditure which can be avoided as a result of the change; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.
- 3.3.16 The Authority may only make changes under this Re-opener by direction:
 - (a) where a circumstance in paragraph 3.3.11 exists;
 - (b) if an application was made by the licensee under paragraph 3.3.12, where the requirements in paragraphs 3.3.14 and 3.3.15 have been met;
 - (c) if the relevant circumstance is that set out in paragraphs 3.3.11(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to IT;

- (d) if the relevant circumstance is that set out in paragraph 3.3.11 (c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to IT;
 - (e) if the relevant circumstance is that set out in paragraph 3.3.11(d), where a change to an existing output is justified:
 - i. in order to correct an error; or
 - ii. because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to IT; and
 - (f) where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to IT.
- 3.3.17 A direction under this Part:
- (a) may adjust allowances in the Cyber Resilience IT Baseline Allowances Table as a result of circumstances set out in paragraph 3.3.11(d)(i);
 - (b) may amend outputs, delivery dates and allowances in the Cyber Resilience IT PCD Table;
 - (c) may modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table;
 - (d) will set out the value of $CRITRA_t$ and $CRITRO_t$ terms, where these are being adjusted; and
 - (e) must be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of the Price Control Deliverable ($CRITRA_t$ and $CRITRO_t$)

- 3.3.18 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 $CRITRA_t$ and $CRITRO_t$ where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

Part F: Reporting Requirements

- 3.3.19 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
- (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;

- (c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
 - (d) a description of how the licensee has considered any relevant guidance provided by the Authority; and
 - (e) such detailed supporting evidence as is reasonable in the circumstances.
- 3.3.20 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.3.19 by no later than the dates, and in relation to the periods, set out in Appendix 3.

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

- 3.3.21 Before making a direction under paragraph 3.3.8, 3.3.16, or 3.3.18, the Authority will send to the licensee:
- (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.
- 3.3.22 A direction under paragraph 3.3.18 will set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the CRITRA_t and CRITRO_t term and the Regulatory Years to which those adjustments relate; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the CRITRA_t and CRITRO_t terms.

Appendix 1

**Title and publication date of document containing the Cyber Resilience IT
Baseline Allowances Table**

Title	Publication Date
Scottish Hydro Electric Transmission (SHET) Cyber Resilience Information Technology Re-opener Decision REVISED	10 December 2021

Appendix 2

Title and publication date of document containing the Cyber Resilience IT PCD Table

Title	Publication Date
Scottish Hydro Electric Transmission (SHET) Cyber Resilience Information Technology Re-opener Decision REVISED	10 December 2021

Appendix 3

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 October to 31 March
31 January	1 April to 30 September

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable ($PSUP_t$ and $PSUPRE_t$)

Introduction

- 3.4.1 The purpose of this condition is to calculate the terms $PSUP_t$ (the physical security Price Control Deliverable term) and $PSUPRE_t$ (the physical security Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.4.2 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 and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.4.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.7, 3.4.11 or 3.12.

Part A: Formulae for calculating the physical security Price Control Deliverable term ($PSUP_t$) and the physical security Re-opener term ($PSUPRE_t$)

- 3.4.4 The value of $PSUP_t$ is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

$PSUPA_t$ means the baseline allowances in Appendix 1; and

$PSUPRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.4.5 The value of $PSUPRE_t$ is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

$PSUPO_t$ means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C and D; and

$PSUPRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.4.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Physical security Re-opener

3.4.7 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.

3.4.8 The licensee may only apply to the Authority under paragraph 3.4.7 Between 25 January and 31 January in year 2024, or during such later periods as the Authority may direct.

3.4.9 An application under paragraph 3.4.7 must be made in writing to the Authority and include statements:

- (a) setting out the changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
- (b) setting out the Critical National Infrastructure classification for each site to which the application relates;
- (c) setting out any amendments to the outputs, delivery dates or allowances set out in Appendix 2;

- (d) explaining the basis of the calculations for any amendments requested to allowances; and
 - (e) providing such detailed supporting evidence as is reasonable in the circumstances.
- 3.4.10 An application under paragraph 3.4.7 must:
- (a) relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme on or after 9 December 2019;
 - (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered Re-opener

- 3.4.11 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 2 without an application being made under paragraph 3.4.7 where there have been changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:
- (a) have been mandated on or after 9 December 2019; and
 - (b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Assessment of the physical security Price Control Deliverable (PSUPRA_t and PSUPRO_t)

- 3.4.12 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 PSUPRA_t and PSUPRO_t where the licensee has not Fully Delivered an output in Appendix 2.

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

- 3.4.13 Before making a direction under paragraph 3.4.7, 3.4.11 or 3.4.12, 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.
- 3.4.14 A direction under paragraph 3.4.7 or 3.4.11 will set out any amendments to Appendix 2.
- 3.4.15 A direction under paragraph 3.4.12 will set out:
- (a) the delivery status of the output that has not been Fully Delivered;

- (b) the value of the $PSUPRA_t$ and $PSUPRO_t$ terms 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 $PSUPRA_t$ and $PSUPRO_t$ terms.

Appendix 1

Physical security baseline allowances ($PSUPA_t$) by Regulatory Year (£m)

21/22	22/23	23/24	24/25	25/26	Total Allowance (All years)
2.82	2.83	0.95	0.02	0.02	6.65

Appendix 2

Physical security Price Control Deliverable

Site Reference number as per the licensee's RIIO-ET2 Business Plan Data Template	Output	Delivery Date	Allowance (£m)					
PT000736	Install PSUP Solution	31 Mar 2026	21/22	22/23	23/24	24/25	25/26	Total Allowance (All years)
			2.82	2.83	0.95	0.02	0.02	6.65

Special Condition 3.5 Net Zero And Re-opener Development Fund use it or lose it allowance (RDF_t)

Introduction

- 3.5.1 The purpose of this condition is to calculate the term RDF_t (the Net Zero And Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.
- 3.5.2 The effect of this condition is to:
- (a) specify the allowance for the Net Zero And Re-opener Development Fund;

- (b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
 - (c) provide for a Use It Or Lose It Adjustment.
- 3.5.3 This condition also explains the process the Authority will follow when issuing or amending the Net Zero And Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF_t)

- 3.5.4 The value of RDF_t is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

where:

RDFA_t means the allowances in Appendix 1; and

RDFR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Net Zero And Re-opener Development Fund Governance Document

- 3.5.5 The licensee must comply with the Net Zero And Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.
- 3.5.6 The Authority will issue and amend the Net Zero And Re-opener Development Fund Governance Document by direction.
- 3.5.7 The Authority will publish the Net Zero And Re-opener Development Fund Governance Document on the Authority's Website.
- 3.5.8 The Net Zero And Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:
- (a) the definition of 'allowable RDF expenditure' and 'unrecoverable RDF expenditure';
 - (b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
 - (c) the reporting obligations in respect of expenditure incurred in relation to Net Zero And Re-opener Development Fund which the licensee must meet.
- 3.5.9 Before directing that the Net Zero And Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Net Zero And Re-opener Development Fund Governance Document;

- (b) the date on which the Authority intends the Net Zero And Re-opener Development Fund Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.
- 3.5.10 Before directing an amendment to the Net Zero And Re-opener Development Fund Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended Net Zero And Re-opener Development Fund Governance Document;
 - (b) the date on which the Authority intends the amended Net Zero And Re-opener Development Fund Governance Document to come into effect;
 - (c) the reasons for the amendments to the Net Zero And Re-opener Development Fund Governance Document; and
 - (d) a period during which representations may be made on the amendments to the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

- 3.5.11 The Authority will direct an amendment to the value of $RDFR_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

- 3.5.12 Before making a direction under paragraph 3.5.11, 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.
- 3.5.13 The direction will set out the value of the $RDFR_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 1

Net Zero And Re-opener Development Fund allowance (£m)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
$RDFR_t$	£2.40	£2.40	£2.40	£2.40	£2.40	£12.00

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
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Special Condition 3.6 Net zero Re-opener and Price Control Deliverable (NZ_t)

Introduction

- 3.6.1 The purpose of this condition is to calculate the term NZ_t (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.6.2 The effect of this condition is to:
- (a) specify any Price Control Deliverable relating to Net Zero Developments;
 - (b) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and
 - (c) provide for an assessment of the Price Control Deliverable specified in this condition.
- 3.6.3 This condition also explains the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the net zero Re-opener term (NZ_t)

- 3.6.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

NZO_t means the sum of allowances in Appendix 1 ; and

NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

- 3.6.5 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: Net Zero Re-opener

- 3.6.6 This Re-opener may be used where:
- (a) a Net Zero Development has occurred or is expected to occur;
 - (b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
 - (c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
 - (d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and

- (e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.
- 3.6.7 The Authority may make modifications under this Re-opener at any time during the Price Control Period.
- 3.6.8 The following modifications to the licence may be made under this Re-opener:
 - (a) modifications to the outputs, delivery dates and allowances in Appendix 1; and
 - (b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.
- 3.6.9 Any modifications made under this Re-opener will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (NZRO_t)

- 3.6.10 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 NZRO_t where the licensee has not Fully Delivered an output in Appendix 1.

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

- 3.6.11 Before making a direction under paragraph 3.6.10, 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.
- 3.6.12 A direction under paragraph 3.6.10 will set out:
 - (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the NZRO_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 adjustment to the NZRO_t term.

Appendix 1

Net Zero Price Control Deliverable (£m)

Regulatory Year							
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

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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 3.7 Non-operational IT Capex Re-opener and Price Control Deliverable (NOITRE_t)

Introduction

- 3.7.1 The purpose of this condition is to calculate the term NOITRE_t (the Non-operational IT Capex Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.7.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for any Price Control Deliverable relating to Non-operational IT Capex;
 - (b) establish a Re-opener triggered by either the licensee or the Authority for Non-operational IT Capex; and
- 3.7.3 (c) provide for an assessment of the Price Control Deliverables. This condition also sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formula for calculating the Non-operational IT Capex Re-opener term (NOITRE_t)

- 3.7.4 The value of NOITRE_t is derived in accordance with the following formula:

$$NOITRE_t = NOITO_t - NOITRO_t$$

where:

NOITO_t means the allowances in Appendix 1; and

NOITRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

- 3.7.5 Appendix 1 specifies the total allowances provided for work relating to Non-operational IT Capex and Appendix 2 specifies the Price Control Deliverables that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Non-operational IT Capex Re-opener

- 3.7.6 The licensee may apply to the Authority for a direction amending the Appendices 1 and 2 as a result of:
- (a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
 - (b) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
 - (c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.
- 3.7.7 The licensee may only apply to the Authority for changes under this Re-opener:
- (a) Between 1 April 2021 and 8 April 2021;
 - (b) Between 25 January 2023 and 31 January 2023; and
 - (c) during such other periods as the Authority may direct.
- 3.7.8 An application under paragraph 3.7.6 must be made in writing to the Authority and:
- (a) give details of the circumstances referred to in paragraph 3.7.6 that the licensee considers exist;
 - (b) explain how the adjustment requested would improve its Non-operational IT Capex;
 - (c) explain the basis of the calculations for the adjustment requested to allowances;
 - (d) give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and
 - (e) provide such detailed supporting evidence as is reasonable in the circumstances, which must include:
 - i. delivery plans;
 - ii. a prioritisation programme;
 - iii. market and industry cost comparison; and
 - iv. anticipated business benefits derived as a result of the proposed activities.
- 3.7.9 An application under paragraph 3.7.6 must:
- (a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

3.7.10 The Authority will also consider amending Appendices 1 and 2 without an application being made under paragraph 3.7.6 where it considers that:

- (a) circumstances of the type referred to in paragraph 3.7.6 exist; and
- (b) costs were incurred, or will be incurred, on or after 1 April 2021.

Part D: Assessment of the Price Control Deliverable (NOITRO_t)

3.7.11 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 NOITRO_t where the licensee has not Fully Delivered an output in Appendix 2.

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

3.7.12 Before making a direction under paragraph 3.7.6, 3.7.10 or 3.7.11, 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.

3.7.13 A direction under paragraph 3.7.6 or 3.7.10 will set out any amendments to Appendices 1 and 2.

3.7.14 A direction under paragraph 3.7.11 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the NOITRO_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 adjustment to the NOITRO_t term.

Appendix 1

Non-operational IT Capex Re-opener allowance (NOITRO_t) (£m)

	2021/22	2022/23	2023/24	2024/25	2025/26	All years
Re-opener Allowance	0	0	5.923	8.913	4.513	19.349

Appendix 2

Non Operational IT Capex Price Control Deliverable (£m)

<u>Regulatory Year</u>								
NOITRE project	Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
System and Network Planning	Completion of System and Network Planning project	before 31-March-26	0	0	1.243	1.243	1.243	3.729
Project TReNDS	Completion of Project TReNDS and demonstration that the learnings have been shared with other relevant network companies	before 31-March-26	0	0	1.14	1.04	0	2.18
Integrated Project Management	Delivery of the Integrated Project Management solution to provide a single platform facilitating data and integration design, data cleansing and the schedule management, cost management (Project and IPM), risk management and change management of Large Capital Projects.	31-March-26	0	0	2.48	5.16	2.49	10.13

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Control Centre Disaster Recovery	Upgrade the duration and capacity of the DR sites capability to support continuous operational control of the Transmission electrical network	31-March-26	0	0	1.06	1.12	0.18	2.36
Acceleration of Digitisation	Digitise all of the overhead line network as a single activity	31-March-26	0	0	0	0.35	0.6	0.95

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
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Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM_t)

Introduction

- 3.8.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.
- 3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: When to make an application

- 3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct.

Part C: How to make an application

- 3.8.6 An application under paragraph 3.8.4 must be made in writing to the Authority and:
 - (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
 - (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
 - (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation does deliver greater overall consumer value;
 - (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;

- (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
 - (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
 - (h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
 - (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.
- 3.8.7 An application under paragraph 3.8.4 must:
- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: What process will the Authority follow in making a direction

- 3.8.8 Before making a direction under paragraph 3.8.4 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.
- 3.8.9 The direction will set out:
- (a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
 - (b) the Regulatory Years to which those adjustments relate; and
 - (c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Wider works Price Control Deliverable (WW_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the term WW_t (the wider works Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.9.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.9.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the wider works Price Control Deliverable term (WW_t)

- 3.9.4 The value of WW_t is derived in accordance with the following formula:

$$WW_t = WWA_t - WWR_t$$

where:

WWA_t means the sum of allowances in Appendix 1; and

WWR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.9.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
- 3.9.6 The codes at the start of each output in Appendix 1 are the NOA codes.

Part C: Assessment of Price Control Deliverable (WWR_t)

- 3.9.7 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 WWR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

- 3.9.8 Before making a direction under paragraph 3.9.7, 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.
- 3.9.9 The direction will set out:

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

Appendix 1

Wider works Price Control Deliverable

Scheme Name	Output	Delivery Allowance (£m) Date						
			21/22	22/23	23/24	24/25	25/26	All years
East coast 275kV upgrade (NOA code: ECU2)	B4 Boundary capability uplift of 610MW. Based on FES2018 background generation. The existing 275kV overhead line between Kintore, Fetteresso, Tealing and Kincardine and between Tealing and Glenrothes/Westfield up to the boundary between the licensee's Transmission Area and SP Transmission Limited's transmission area will be reconfigured to allow a maximum operating temperature of 65°C. A new substation at Alyth will be established and installation of a dynamic compensator with a	31 October 2023	48.67	52.25	33.86	23.56	0.55	158.89

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	range of +/- 225MVar, and a 100MVar capacitive static compensator.								
	At Tealing: two phase shifting transformers with a minimum rating of 920MVA to be installed.								
East coast 400kV upgrade (NOA code: ECUP)	Completion of overhead line works and completion of substation works by 31 March 2026 such as is required to allow future B4 boundary upgrade of 480MW.	31 March 2026	11.13	17.24	33.46	67.97	83.36	213.15	
	Upgrade the re-profiled 275kV circuits to 400kV operation between Kintore, Fetteresso, Alyth and up to the boundary between the licensee's Transmission Area and SP Transmission Limited's transmission area.								
	Works completed to allow Kintore, Fetteresso and Alyth substations to operate at 400kV.								
	At Blackhillock two phase shifting transformers with a minimum rating of 920MVA to be installed.								

To make possible a commissioning a B4 boundary uplift of 480MW by 31 October 2026.

Based on FES2018 background generation.

Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE_t and EPI_t)

Introduction

- 3.10.1 The purpose of this condition is to specify the VIMRE_t (the Visual Impact Mitigation Re-opener term), and EPI_t (the Enhancing Pre-existing Infrastructure Projects term). Both These terms contribute to the calculation of the Totex Allowance.
- 3.10.2 The effect of this condition is to:
- (a) require the licensee to update its Mitigating Pre-existing Infrastructure Policy;
 - (b) specify the outputs, delivery dates and associated allowances for the Visual Impact Mitigation Price Control Deliverable;
 - (c) establish a Re-opener for the licensee to trigger amendments to the Visual Impact Mitigation Price Control Deliverable;
 - (d) provide for an assessment of the Visual Impact Mitigation Price Control Deliverable; and
 - (e) provide for the Authority to specify, during the first year of the Price Control Period, the outputs, delivery dates and associated allowances for Enhancing Pre-existing Infrastructure Projects.

Part A: Formulae for calculating the Visual Impact Mitigation Re-opener (VIMRE_t)

- 3.10.3 The value of the term VIMRE_t is derived in accordance with the following formula:

$$VIMRE_t = VIMO_t - VIMRO_t$$

where:

$VIMO_t$ means the sum of allowances directed by the Authority in accordance with Parts D and F; and

$VIMRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part G.

- 3.10.4 The total value of $VIMRE_t$ for all Transmission Licensees during the Price Control Period will not exceed the amount specified in Appendix 2.

Part B: Visual Impact Mitigation Price Control Deliverable

- 3.10.5 Appendix 1 specifies the Visual Impact Mitigation Price Control Deliverable that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Mitigating Pre-existing Infrastructure Policy

- 3.10.6 The licensee must update its Mitigating Pre-existing Infrastructure Policy for the Price Control Period before making an application under Part B or providing information to the Authority to calculate the $NTMP_t$ term in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance).
- 3.10.7 The Mitigating Pre-existing Infrastructure Policy must include:
- (a) the licensee's objectives for delivering Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects, including how these have been informed by the licensee's statutory duties and stakeholders' views;
 - (b) details of how the licensee will work with other licensees, relevant national and statutory bodies, and other interested stakeholders to maximise the benefits to consumers of Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects during the Price Control Period;
 - (c) a proposed methodology to identify opportunities for ensuring best value for Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects on the National Electricity Transmission System;
 - (d) proposed criteria to evaluate and prioritise Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects including visual amenity benefits, value for money, and other environmental impacts;
 - (e) a description of the potential measures by which the licensee could deliver Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects;
 - (f) a description of the licensee's governance processes for funding, and monitoring the delivery of Non-Technical Mitigation Projects, as well as providing progress updates to stakeholders; and

- (g) an explanation of how the licensee will review and revise the Mitigating Pre-existing Infrastructure Policy so that it is consistent with industry best practice.
- 3.10.8 The licensee must use its best endeavours to apply the Mitigating Pre-existing Infrastructure Policy.
- 3.10.9 Before revising the Mitigating Pre-existing Infrastructure Policy, the licensee must submit a copy of the proposed revisions to the Authority.
- 3.10.10 The Authority will either:
 - (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.

Part D: Visual Impact Mitigation Re-opener

- 3.10.11 The licensee may apply to the Authority for a direction adding a new Visual Impact Mitigation Price Control Deliverable and associated allowance to Appendix 1.
- 3.10.12 The licensee may only apply to the Authority under paragraph 3.10.11 on or before 30 June 2025, or by such later deadline as the Authority may direct.
- 3.10.13 An application under paragraph 3.10.11 must be made in writing and:
 - (a) set out the amendments sought to Appendix 1;
 - (b) describe the proposed Visual Impact Mitigation Price Control Deliverable and the estimated benefits it will deliver in relation to the mitigation of impacts of pre-existing transmission infrastructure on the visual amenity of a Designated Area;
 - (c) include detailed supporting evidence that the proposed Visual Impact Mitigation Price Control Deliverable has been identified and prioritised in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy;
 - (d) include forecast costs for delivering the Visual Impact Mitigation Price Control Deliverable, with an expenditure profile for all Regulatory Years of delivery, and a breakdown of the total costs including incurred and forecast costs of preliminary development work to decide the feasibility of a Visual Impact Mitigation Price Control Deliverable;
 - (e) include analysis of any relevant issues in relation to the proposed Visual Impact Mitigation Price Control Deliverable that might reduce the feasibility of delivering the proposed Visual Impact Mitigation Price Control Deliverable or significantly increase the costs;
 - (f) include proposed timescales for delivery of the proposed Visual Impact Mitigation Price Control Deliverable; and

- (g) include such further detailed supporting evidence as is reasonable in the circumstances.

Part E: Enhancing Pre-existing Infrastructure Projects (EPI_t)

3.10.14 The value of the term EPI_t is the sum of allowances in Appendix 3.

3.10.15 In the first Regulatory Year of the Price Control Period, the Authority will direct amendments to Appendix 3 to add the Enhancing Pre-existing Infrastructure Projects that the licensee has submitted to the Authority prior to the start of the Price Control Period and for which no Price Control Period allowance has been provided.

Part F: Cost And Output Adjusting Event

3.10.16 The licensee may apply to the Authority for a direction amending Appendix 1 or 3 where there has been a Cost And Output Adjusting Event if:

(a) the following criteria are met:

- i. the licensee could not have economically and efficiently planned a contingency for the Cost And Output Adjusting Event;
- ii. the Cost And Output Adjusting Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance for the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, or by at least such other percentage as the Authority directs; and
- iii. the increase or decrease in expenditure is expected to be efficiently incurred or saved; or

(b) an event specified by the Authority in the direction that added the Visual Impact Mitigation Price Control Deliverable to Appendix 1 or added the Enhancing Pre-existing Infrastructure Project to Appendix 3 has occurred.

3.10.17 The percentage in paragraph 3.10.16(a)(ii) is calculated before the application of the Totex Incentive Strength.

3.10.18 Unless the Authority otherwise directs, the licensee must make the application under paragraph 3.10.16:

- (a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
- (b) in any event before the end of the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred.

3.10.19 An application under paragraph 3.10.16 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 paragraph 3.10.16 has occurred;
- (b) set out any amendments requested to Appendix 1 or Appendix 3;

- (c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1 or Appendix 3, 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 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 Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, the proposed adjustments fairly reflect the effects of the Cost And Output Adjusting Event.

Part G: Assessment of Visual Impact Mitigation Price Control Deliverable (VIMRO_t)

3.10.20 The Authority will, in accordance with 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 VIMRO_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.10.21 Before making a direction under paragraph 3.10.11, 3.10.15, 3.10.16 and 3.10.20 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.

3.10.22 A direction under paragraph 3.10.11 will set out:

- (a) any amendments to Appendix 1; and
- (b) any individual criteria for a Cost And Output Adjusting Event specific to that Visual Impact Mitigation Price Control Deliverable.

3.10.23 A direction under paragraph 3.10.15 will set out:

- (a) any amendments to Appendix 3; and
- (b) any individual criteria for a Cost And Output Adjusting Event specific to that Enhancing Pre-existing Infrastructure Project.

3.10.24 A direction under paragraph 3.10.16 will set out any amendments to Appendix 1 or 3.

3.10.25 A direction under paragraph 3.10.20 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the VIMRO_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 adjustment to the VIMROt term.

Appendix 1

Visual Impact Mitigation Price Control Deliverable

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
	N/A	N/A	N/A	N/A	N/A	N/A

Project name	Output	Delivery date
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Appendix 2

Maximum value (£m) of the sum of VIME term for all Transmission Licensees during the Price Control Period

£465

Appendix 3

Enhancing Pre-existing Infrastructure Project allowance

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
Glen Falloch and Sloy mitigation projects, Loch Lomond and the Trossachs National Park	7.054	0.889				7.943

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Killin mitigation project, The Loch Lomond, and the Trossachs National Park	17.537	2.773	20.310
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Project name	Description of project	Delivery date
Glen Falloch Mitigation Project	Remove a 4.5km section of a 132kV double circuit overhead line, and 13 steel lattice towers, and install 4.5km underground cable from from Derrydaroch and Crianlarich. Install two air-insulated outdoor sealing ends by existing towers (steel lattice tower based) to connect the new section of underground cables to the existing overhead lines.	31 March 2022
Sloy Mitigation Project	Remove 3km (three sections approximately 1km each) of 132kV double circuit overhead line, and 12 steel lattice towers, and install 3.1 km underground cable between Sloy Dam and Sloy Power Station. Install four two-woodpole based air-insulated sealing ends to connect the new section of underground cables to the existing overhead lines for the two sections heading east toward Sloy Power Station. Install one air-insulated sealing end (steel lattice tower based) near existing tower to connect the new section of underground cables to the existing overhead lines for the section heading west toward Sloy Dam. Use gas-insulated sealing ends, where underground cables will terminate into the new terminations on the existing gas-insulated switchgear at Sloy Switching Station.	31 March 2022
Killin mitigation project	Remove 7.8km of overhead line and 32 steel lattice towers between Killin substation and Lix Toll and install two 4.5km underground cables.	April 2024

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Install two air-insulated outdoor sealing ends by existing towers to connect the new section of underground cables to the existing overhead lines.

Special Condition 3.11 Generation Connections volume driver (GCE_t)

Introduction

- 3.11.1 The purpose of this condition is to provide for the calculation of the term GCE_t (the Generation Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.11.2 The effect of this condition is to adjust revenue to fund the licensee for Generation Connection Capacity, overhead lines, and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.11.3 The condition also adjusts revenue to fund the licensee for Generation Connection Capacity, overhead lines, and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2026.

Formula for calculating the Generation Connections volume driver term (GCE_t)

- 3.11.4 The value of GCE_t is derived in accordance with the following:

$$GCE_t = \sum_{p=2021/22}^{2027/28} VGCE_p \cdot PGCE_{t,p} + (TPG_t - TPRG_t)$$

where:

t	means the Regulatory Year for which the allowed Expenditure is calculated;
p	means the Regulatory Year in which the Generation Connection is delivered;
VGCE _p	is the generation connection volume driver allowance as derived in accordance with paragraph 3.11.5; and
TPG _t	means the total expenditure efficiently incurred in the Regulatory Year by the licensee in respect of Generation Connections where the Users reduce Generation Connection Capacity or terminate the relevant

	bilateral agreements prior to commencing use of the Generation Connection;
TPRG _t	means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPG _t in the Regulatory Year; and
PGCE _{t,p}	means the profiling factor of allowance in Regulatory Year t for Generation Connections delivered in Regulatory Year p, as set out in Appendix 1.

3.11.5 The value of VGCE_p is derived in accordance with the following formula:

$$VGCE_p = GUC \cdot (AGC_p - BGC_p) + OHLGUC \cdot (ALOHL_p - BLOHL_p) + OHLRGUC \cdot (ALOHLR_p - BLOHLR_p) + CBLSGUC \cdot (ALCBLSp - BLCBLSp) + CBLLGUC \cdot (ALCBLL_p - BLCBLL_p) + GCONfix \cdot (AGCON_p - BGCON_p)$$

where:

GUC	means the Generation Connection Capacity unit cost allowance as set out in Appendix 2;
AGC _p	means the actual Generation Connection Capacity in MW or MVA delivered in Regulatory Year p;
BGC _p	means the baseline Generation Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 3;
OHLGUC	means the new build overhead line activity unit cost allowance as set out in Appendix 2;
ALOHL _p	means the actual length of new build overhead line activity in circuit kilometres commissioned as part of delivering the AGC _p in Regulatory Year p;
BLOHL _p	means the baseline length of new build overhead line activity in circuit kilometres as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 3;
OHLRGUC	means the unit cost allowance for overhead line reconductoring activity as set out in Appendix 2;
ALOHLR _p	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the AGC _p in Regulatory Year p;

BLOHLRp	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 3;
CBLSGUC	means the unit cost allowance for underground cable less than 1km, as set out in Appendix 2;
ALCBLSp	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the AGCp in Regulatory Year p;
BLCBLSp	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 3;
CBLLGUC	means the unit cost allowance for underground cable equal to or greater than 1km as set out in Appendix 2;
ALCBLLp	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the AGCp in Regulatory Year p;
BLCBLLp	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 3;
GCONfix	means the fixed revenue for each new Generation Connection project delivered, as set out in Appendix 2;
AGCONp	means the actual number of Generation Connection projects delivered in Regulatory Year p; and
BGCONp	means the baseline number of Generation Connection projects delivered in Regulatory Year p, as set out in Appendix 3.

Appendix 1

Profiling factors (PGCE_{t,p})

p=year of delivery t= year of allowance	t=2021/2 2	t=2022/2 3	t=2023/2 4	t=2024/2 5	t=2025/2 6	t=2026/2 7	t=2027/2 8
p=2021/2 2	1	0	0	0	0	0	0
p=2022/2 3	0.75	0.25	0	0	0	0	0

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p=2023/24	0.5	0.25	0.25	0	0	0	0
p=2024/25	0.25	0.25	0.25	0.25	0	0	0
p=2025/26	0	0.25	0.25	0.25	0.25	0	0
p=2026/27	0	0	0.25	0.25	0.25	0.25	0
p=2027/28	0	0	0	0.25	0.25	0.25	0.25

Appendix 2

Unit cost allowances for Generation Connection Capacity, overhead lines, underground cables, and delivered Generation Connection projects

GUC (£m/MW or MVA)	0.057
OHLGUC (£m/km)	0.263
OHLRGUC (£m/km)	0.257
CBLSGUC (£m/km)	3.578
CBLLGUC (£m/ km)	0.914
GCONfix (£m)	0.811

Appendix 3

Baseline Generation Connection Capacity, length of overhead lines, length of underground cables, and delivered Generation Connection projects

Baseline values	Regulatory Year						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
BGCp (MW or MVA)	0	0	0	0	0	0	0
BLOHLp (km)	0	0	0	0	0	0	0
BLOHLRp (km)	0	0	0	0	0	0	0
BLCBLSp (km)	0	0	0	0	0	0	0
BLCBLRp (km)	0	0	0	0	0	0	0

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BGCONp	0	0	0	0	0	0	0
(#)							

Special Condition 3.12 Not used

Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA_t and LOTIRE_t)

Introduction

- 3.13.1 The purpose of this condition is to specify the value of the terms LOTIA_t (the large onshore transmission investment allowance term) and LOTIRE_t (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_t) and the large onshore transmission investment Re-opener term (LOTIRE_t)

- 3.13.4 The value of LOTIA_t is equal to the baseline allowances in Appendix 1.
- 3.13.5 The value of LOTIRE_t 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%; ~~or~~
- (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_t) 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

Appendix 2

LOTI Outputs, delivery dates and allowances (£m)

		Regulatory Year					
LOTI Output	Delivery date	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Construct, energise and make freely and fully available to the ISOP 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 nothreshold assessment of incurred costs. Costs to be submitted for consideration at the end of project construction.

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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

Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE_t)

Introduction

- 3.14.1 The purpose of this condition is to calculate the term MSIPRE_t (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_t)

- 3.14.4 The value of MSIPRE_t is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

$MSIPO_t$ means the sum of allowances in Appendix 1; and

$MSIPRO_t$ 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 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;
- (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 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 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 or the licensee showing a need for dynamic line ratings; or
 - iii. system studies by the ISOP 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 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:
- (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_t)

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_t 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 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and $PCFRE_t$)

Introduction

- 3.15.1 The purpose of this condition is to calculate the terms PCF_t (the Pre-Construction Funding Price Control Deliverable term) and $PCFRE_t$ (the Pre-Construction Funding Re-opener term) . These contribute to the calculation of the Totex Allowance.
- 3.15.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
 - (b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to a LOTI or an ASTI.
- 3.15.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.15.6 and 3.15.9.

Part A: Formulae for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t) and the Pre-Construction Funding Re-opener term ($PCFRE_t$)

- 3.15.4 The value of PCF_t is derived in accordance with the following formula:

$$PCF_t = PCFA_t - PCFRA_t$$

where:

$PCFA_t$ means the baseline allowances in Appendix 1; and

$PCFRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

- 3.15.5 The value of $PCFRE_t$ is derived in accordance with the following formula:

$$PCFRE_t = PCFO_t - PCFRO_t$$

where:

$PCFO_t$ means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and

$PCFRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What the licensee is funded to deliver?

- 3.15.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Pre-Construction Funding Re-opener

- 3.15.7 In respect of any relevant LOTI or ASTI, the licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where:
- (a) the licensee expects to incur costs for Pre-Construction Works that are not already specified as outputs in Appendix 2; or
 - (b) the licensee expects that the costs of Pre-Construction Works specified as outputs in Appendix 2 will be more than double the allowance provided for those Pre-Construction Works.
- 3.15.8 In respect of any relevant LOTI, the licensee may only apply to the Authority under paragraph 3.15.7 when submitting an Initial Needs Case for the relevant LOTI, unless the Authority directs that the licensee may apply at another time.
- 3.15.9 An application under paragraph 3.15.7 must be made in writing and include:
- (a) a breakdown of what Pre-Construction Works are expected to be undertaken;
 - (b) an overview of the LOTI or ASTI to which the Pre-Construction Works relate;
 - (c) a justification of why the Pre-Construction Works are required; and
 - (d) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.

Part D: Assessment of the Price Control Deliverable (PCFRA_t and PCFRO_t)

- 3.15.10 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) and the principles in paragraph 3.15.11, consider directing a value for PCFRA_t and PCFRO_t where the licensee has not Fully Delivered an output in Appendix 2.
- 3.15.11 The principles mentioned in paragraph 3.15.10 are:
- (a) where authority considers that the licensee has completed a sufficient proportion of Pre-Construction Work, but not submitted its primary planning application for the LOTI or ASTI, a minimum of 20% of the allowance for the relevant Pre-Construction Works will be allowed;
 - (b) where the licensee has submitted its primary planning application for the LOTI, but has not secured Final Needs Case approval for the LOTI or obtained all material planning consents for the ASTI, a minimum of 60% of the allowance for the relevant Pre-Construction Works will be allowed; and

- (c) where the licensee has secured Final Needs Case approval for the LOTI for the LOTI or obtained all material planning consents for the ASTI, 100% of the Pre-Construction Works PCD allowance for that LOTI or the ASTI will be allowed.

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

3.15.12 Before making a direction under paragraphs 3.15.7 or 3.15.10 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.

3.15.13 A direction under paragraph 3.15.7 will set out any amendments to Appendix 2.

3.15.14 A direction under paragraph 3.15.10 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the PCFRA_t and PCFRO_t terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the PCFRA_t and PCFRO_t terms..

Appendix 1

Pre-Construction Funding baseline allowances (PCFA_t) by Regulatory Year (£m)

	Allowance (£m)					Total Allowance (All years)
	21/22	22/23	23/24	24/25	25/26	
	18.76	18.54	18.33	18.11	17.90	91.65

Appendix 2

Pre-Construction Funding Price Control Deliverable

Outputs	Delivery date	Allowance (£m)					Total Allowance (All years)
		21/22	22/23	23/24	24/25	25/26	
Approval of all material planning consents for E4D3:	31 March 2026	4.160	4.112	4.064	4.017	3.971	20.324

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Peterhead - Drax; Eastern subsea HVDC link							
Approval of all material planning consents for E4L5: Peterhead - South Humber; Eastern subsea HVDC link	31 March 2026	6.240	6.168	6.097	6.026	5.956	30.487
LOTI Final Needs Case approval of Skye	31 March 2026	3.409	3.370	3.331	3.292	3.254	16.655
LOTI Final Needs Case approval of Argyll and Kintyre 275kV Strategy	31 March 2026	4.372	4.321	4.271	4.222	4.173	21.360
Submission of a report to the Authority on work undertaken and costs incurred in relation to the NOA and regional development plans.	31 March 2026	0.578	0.571	0.564	0.558	0.551	2.823

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.

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- 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:
- (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 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>

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
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Special Condition 3.17 Shared schemes Price Control Deliverable (SS_t)

Introduction

- 3.17.1 The purpose of this condition is to calculate the term SS_t (the shared schemes Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.17.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.17.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the shared schemes Price Control Deliverable term (SS_t)

- 3.17.4 The value of SS_t is derived in accordance with the following formula:

$$SS_t = SSA_t - SSR_t$$

where:

SSA_t means the sum of allowances in Appendix 1; and

SSR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

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

Part C: Assessment of the Price Control Deliverable (SSR_t)

- 3.17.6 The Authority will, in accordance with the 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 SSR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

- 3.17.7 Before making a direction under paragraph 3.17.6 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.

3.17.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the SSR_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 SSR_t term.

Appendix 1

Shared schemes Price Control Deliverable by Regulatory Year (£m)

Scheme Name	Output	Delivery Date	21/22	22/23	23/24	24/25	25/26	All years
Kinardochy reactive compensation	Delivery of an output of +325/-225 MVar reactive compensation.	31 August 2024	27.75	55.05	10.20	0.33	0.32	93.65
	Construction of a new substation and installation of a dynamic compensator with a range of +/- 225MVar, and a 100MVar capacitive static compensator							
North east 400kV Upgrade	Delivery of an output of 1440MVA of shared use overhead line infrastructure.	31 October 2023	54.10	89.22	52.08	-8.19	0.65	187.86
	Reconductoring and reinsulation							

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	of the double circuit overhead line between Peterhead, New Deer, Rothienorman and Blackhillock for 400kV operation.							
	To include reconfiguration of Peterhead, New Deer, Rothienorman, Kintore and Blackhillock substations to operate at 400kV.							
	Delivery of an output of 1075MW Generation Connection Capacity.	31 October 2022	17.55	0.74	0.06	0.06	0.06	18.48
Tealing 275kV Busbar	Installation of an operational intertrip scheme for the period between 31st October 2021 and 1st October 2022. Replacement of all existing 275kV, 2500 Amp rated busbars with							

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	4000 Amp equivalents. Installation of three new fully selectable 275kV air insulated switchgear cable bays via a platform extension.							
Moray West Offshore Windfarm Connection	Delivery of an output of 800MW generation connection capacity.	1 April 2024 (800MW)	0.75	2.23	3.10	0.02	0.02	6.12
	Extension of the existing Blackhillock 400kV GIS double busbar and installation of two new 400kV GIS double busbar feeder bays complete with line circuit breakers, line disconnector s and associated busbar selector disconnector s.							

Special Condition 3.18 Resilience and operability Price Control Deliverable (RO_t)

Introduction

- 3.18.1 The purpose of this condition is to calculate the term RO_t (the resilience and operability Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.18.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.18.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the resilience and operability Proposals Price Control Deliverable term (RO_t)

- 3.18.4 The value of RO_t is derived in accordance with the following formula:

$$RO_t = ROA_t - ROR_t$$

where:

ROA_t means the sum of allowances in Appendix 1; and

ROR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

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

Part C: Assessment of Price Control Deliverable (ROR_t)

- 3.18.6 The Authority will, in accordance with the 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 ROR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

- 3.18.7 Before making a direction under paragraph 3.18.6, 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.
- 3.18.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the ROR_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 ROR_t term.

Appendix 1

Resilience and operability Price Control Deliverable

Scheme Name	Output	Delivery Allowance (£m) Date						
			21/22	22/23	23/24	24/25	25/26	All years
Resilience: physical security	Improved security measures on substations, specifically: Install CCTV and alarms at 35 substations and cable sealing end compounds where none exist. Upgrade 20 obsolete systems. Upgrade 23 substations with palisade and new safety signage.	31 March 2026	1.21	2.19	2.22	2.19	1.11	8.92
Resilience: Protection and Control	22 bay protection replacements and 41 bays enhanced with post event and real time monitoring. 33 remote terminal units replacements.	31 March 2026	2.80	6.27	6.20	6.71	3.58	25.56

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Response and recovery: substation resilience	Ensure 116 of the licensee's substation sites have a minimum of 72 hours autonomy in line with Energy Networks Association document titled 'Engineering Recommendation G91 guidance'. Where 72 hours autonomy is not currently achieved, upgrades to deliver 120 hours autonomy.	31 March 2026	6.20	11.78	11.65	11.51	5.46	46.61
Integrated condition performance monitoring	Installation of monitoring equipment at 350 equipment installations. Forensic analysis of 26 transformers. Deployment and integration of a data analytics platform.	31 March 2026	1.96	3.73	3.69	3.64	1.73	14.75
Operations centre	Construction of a new operations centre with a contingency control centre.	31 March 2026	3.13	3.10	3.06	3.03	2.99	15.31
Warehousing	Building a warehouse (7,500m2) in the Dundee area and a warehouse (7,500m2) in the Inverness area. This will include facilities for	31 March 2026	7.04	6.96	6.88	6.80	6.72	34.38

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
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	storage of oil filled plant.							
Communications	Installation of 338km of new fibre optic cable. Upgrade of 91 multiplexors across the licensee's Transmission Area. Upgrade of network hardware at 89 substations.	31 March 2026	2.93	5.57	5.51	5.45	2.58	22.05

Special Condition 3.19 Not used

Special Condition 3.20 Not used

Special Condition 3.21 Not used

Special Condition 3.22 Not used

Special Condition 3.23 Not used

Special Condition 3.24 Not used

Special Condition 3.25 Not used

Special Condition 3.26 Not used

Special Condition 3.27 Not used

Special Condition 3.28 Subsea Cable Re-opener (SCR_t)

Introduction

3.28.1 The purpose of this condition is to set the value of the term SCR_t (the Subsea Cable Re-opener term). This contributes to the calculation of the Totex Allowance.

3.28.2 The effect of this condition is to establish a Re-opener triggered by the licensee where there is a need for Subsea Cable Repair works on the licensee's Transmission System.

3.28.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: The value of the Subsea Cable Re-opener term (SCR_t)

3.28.4 The value of SCR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

3.28.5 The licensee may apply to the Authority for a direction adjusting the value of the SCR_t term for any Regulatory Year during the Price Control Period as a result of:

- (a) repairing Subsea Cable Faults on the licensee's Transmission System that the licensee did not set out in its Business Plan;, or
- (b) mitigating the risk of a Subsea Cable Fault occurring in the future, where the mitigation cost is less than or equal to the harm to consumers quantified by the licensee of not undertaking the mitigating action at the time proposed by the licensee.

3.28.6 An application under paragraph 3.28.4 may be made:

- (a) Between 25 January 2024 and 31 January 2024; or
- (b) during a period after the Price Control Period to be specified by the Authority by direction.

3.28.7 An application under paragraph 3.28.4 must be made in writing and:

- (a) provide 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;
- (b) in cases where the licensee considers there is a material impact on stakeholders, provide evidence that stakeholder engagement has been carried out and contributed to the identification and design of the preferred option;
- (c) provide evidence of the process for procurement and selection that has been applied by the licensee;
- (d) set out the adjustments to the value of the SCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (e) explain the basis of the calculation for the proposed adjustments to the value of the SCR_t term; and
- (f) set out the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the SCR_t term.

3.28.8 An application under paragraph 3.28.5 must:

- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2021; and

- (b) relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.
- 3.28.9 A direction under paragraph 3.28.5:
- (a) may amend Appendix 1; and
 - (b) will set out the value of the SCR_t term.
- 3.28.10 The Authority may direct changes under paragraph 3.28.5 where:
- (a) the licensee has made an application under paragraph 3.28.5;
 - (b) the requirements in paragraphs 3.28.6 to 3.28.8 have been met; and
 - (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
 - i. a needs case for work of the type specified in paragraph 3.28.5 has been established; and
 - ii. the adjustments for allowances reflects the efficient costs to the licensee of undertaking the work specified in paragraph 3.28.5.
- Part C: What process will the Authority follow in making a direction?**
- 3.28.11 Before making a direction under paragraph 3.28.5 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.
- 3.28.12 The direction will set out any adjustments to the value of the SCR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Subsea Cable Re-opener term (SCR_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 3.29 Not used

Special Condition 3.30 Not used

Special Condition 3.31 Not used

Special Condition 3.32 Not used

Special Condition 3.33 Not used

Special Condition 3.34 Not used

Special Condition 3.35 Not used

Special Condition 3.36 Opex Escalator (OE_t)

Introduction

3.36.1 The purpose of this condition is to calculate the term OE_t (the opex escalator term). This contributes to the calculation of the Totex Allowance.

3.36.2 The effect is to provide an additional allowance for operating expenditure where capital expenditure has been provided under particular uncertainty mechanisms.

Part A: Formula for calculating the opex escalator term (OE_t)

3.36.3 The value of OE_t is derived in accordance with following formula:

$$OE_t = NOCA_t + CAIA_t$$

where:

NOCA_t is the network operating costs uplift allowance derived in accordance with paragraph 3.36.4; and

CAIA_t is the closely associated indirect uplift allowance derived in accordance with paragraph 3.36.5.

3.36.4 The value of *NOCA_t* is derived in accordance with the following formula:

$$NOCA_t = \sum_i [('2025/26' - t + 1) \cdot 0.5\% \cdot UMTERMA_{i,t}]$$

where:

i refers to an individual project;

('2025/26' - *t* + 1) means the number of Regulatory Years remaining in the Price Control Period, including Regulatory Year *t*; and

$UMTERMA_{i,t}$ is the total direct capex allowance for project i , energising in Regulatory Year t , provided by the following terms:

- GCE_t in Special Condition 3.11 (Generation Connections volume driver); and
- ~~$LOTIRE_t$ in Special Condition 3.13 (Large onshore transmission investment Re-opener); and~~
- $MSIPRE_t$ in Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).

3.36.5 The value of $CAIA_t$ is derived in accordance with the following formula:

$$CAIA_t = 73.4\% \cdot BCAI \cdot \frac{UMTERMB_t}{BCAPEX}$$

where:

$UMTERMB_t$ is derived in accordance with paragraph 3.36.6;

$BCAI$ means the baseline allowance for closely associated indirect opex and has the value £253.4m; and

$BCAPEX$ means the baseline allowance for capex and has the value £1719.8m.

3.36.6 The value of $UMTERMB_t$ is derived in accordance with the following formula:

$$UMTERMB_t = VIMRE_t + GCE_t + MSIPRE_t + SCR_t$$

where:

$VIMRE_t$ is derived in accordance with Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance);

GCE_t is derived in accordance with Part A of Special Condition 3.11 (Generation Connections volume driver);

~~$LOTIRE_t$ has the meaning given in Part A of Special Condition 3.13 (Large onshore transmission investment Re-opener);~~

$MSIPRE_t$ is derived in accordance with Part A of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable); and

SCR_t has the value zero unless directed otherwise in accordance with Special Condition 3.28 (Subsea Cable Re-opener).

Special Condition 3.37 Entry and exit connection asset allowance (EECA_t)

Introduction

- 3.37.1 The purpose of this condition is to provide for the calculation of the term EECA_t (the entry and exit connection asset allowance term). This contributes to the calculation of the Totex Allowance.
- 3.37.2 The effect of this condition is to adjust the Totex Allowance to fund the licensee for the net cost of Transmission Connection Assets delivered during the Price Control Period.

Part A: Formula for calculating the entry and exit connection asset allowance term (EECA_t)

- 3.37.3 The value of EECA_t is derived in accordance with the following formula:

$$EECA_t = EECE_t + EECC_t$$

where:

- EECE_t means the actual expenditure on Transmission Connection Assets excluding expenditure on Transmission Connection Infrastructure; and
- EECC_t means any capital contribution from Users relating to Transmission Connection Assets.

Special Condition 3.38 Not used

Special Condition 3.39 Legacy baseline connections volume driver (LGCE_t)

Introduction

- 3.39.1 The purpose of this condition is to provide for the calculation of the term LGCE_t (the legacy baseline connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.39.2 The effect of this condition is to provide for adjustments to the Totex Allowance following the close-out of RIIO-ET1 for capex schemes that straddle RIIO-ET1 and RIIO-ET2.

Part A: Formula for calculating the legacy baseline connections volume driver term (LGCE_t)

- 3.39.3 The value of LGCE_t is derived in accordance with the following formula:

$$LGCE_t = GCE_t \cdot \frac{PI_{2018/19}}{PI_{2009/10}}$$

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where:

GCE_t is directed by the Authority in accordance with Part E of Special Condition 6F of this licence as in force on 31 March 2021, relating to schemes that are funded by the GCE term in RIIO-ET1 that require a continuation of funding in RIIO-ET2; and

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

- 3.39.4 In its direction, the Authority will set out values consistent with RIIO-2 Final Determinations for any terms required for the calculation of the GCE_t term that are not included in Special Condition 6F of this licence as in force on 31 March 2021.

Special Condition 3.40 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t)

Introduction

- 3.40.1 The purpose of this condition is to calculate the term APCF_t (the ASTI Pre-Construction Funding Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.40.2 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 where it expects to incur costs for Pre-Construction Works in relation to an ASTI in addition to the allowances in Appendix 1;
 - (c) provide for an assessment of the Price Control Deliverable; and
 - (d) provide for a Use It Or Lose It Adjustment.
- 3.40.3 This condition also sets out the process the Authority will follow when making changes to Appendices 1 and 2 as a result of the Re-opener.

Part A: Formula for calculating the ASTI Pre-Construction Funding Price Control Deliverable term APCF_t

- 3.40.4 The value of APCF_t is derived in accordance with the following formula:

$$APCF_t = APCFA_t - APCFRA_t$$

where:

APCFA_t means the allowances in Appendix 1; and

APCFRA_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: ASTI Pre-Construction Funding outputs

- 3.40.5 Appendix 2 specifies the outputs the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Scope of the ASTI Pre-Construction Funding Re-opener

- 3.40.6 The licensee may, in respect of an ASTI, apply to the Authority for a modification to the outputs, delivery dates or allowances in Appendices 1 and 2 where:
- (a) the licensee has incurred, or expects to incur, costs for Pre-Construction Works for outputs that are not already specified in Appendix 2, if no

allowances for Pre-Construction Works have previously been provided under Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable);

- (b) the licensee expects that the total costs for Pre-Construction Works in relation to all outputs in Appendix 2 will exceed the total allowances in Appendix 1 by the Materiality Threshold; or
 - (c) the licensee expects a material change to one of the outputs or delivery dates in Appendix 2.
- 3.40.7 The licensee must notify the Authority in writing of its intention to make an application under 3.40.6 at least 8 weeks before making an application, unless the Authority directs otherwise.
- 3.40.8 An application under paragraph 3.40.6 must be made in writing and include:
- (a) a breakdown of what Pre-Construction Works are expected to be undertaken;
 - (b) a breakdown of the incurred and expected costs for Pre-Construction Works;
 - (c) an overview of the ASTI or ASTIs to which the Pre-Construction Works and associated costs relate;
 - (d) the specification of any additional outputs that the licensee considers should be added to Appendix 2;
 - (e) a justification of why any additional Pre-Construction Works and/ or additional allowances are required; and
 - (f) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.
- 3.40.9 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when making an application under this Part.
- 3.40.10 A modification under this Part to the outputs, delivery dates and allowances in Appendix 2 and the allowances in Appendix 1 will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (APCFRA_t)

- 3.40.11 The Authority will direct a value for APCFRA_t where either of the following is appropriate:
- (a) an adjustment in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), where the licensee has not Fully Delivered an output in Appendix 2; or
 - (b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

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

3.40.12 Before making a direction under paragraph 3.40.11 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.

3.40.13 A direction under paragraph 3.40.11 will set out the value of the APCFRA_t term and the Regulatory Years to which the adjustment relates, and where the direction is under paragraph 3.40.11(a) will set out:

- (a) the delivery status of the output that has not been Fully Delivered; and
- (b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the APCFRA_t term.

Appendix 1

ASTI Pre-Construction Funding Allowance table (£m)

Total Value	
SHET	Have the values given in the ASTI Confidential Annex. (Sum of allowances from Appendix 2, PCF Allowance)

Appendix 2

ASTI Pre-Construction Funding Allowance table (£m)

Project Name	Output	Delivery Date	PCF Allowance
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	Submission of all material planning consent applications for BBNC	31 March 2026	Have the values given in the ASTI Confidential Annex.
Uprate the Beauly to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	Submission of all material planning consent applications for BDUP	31 March 2026	Have the values given in the ASTI Confidential Annex.
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	Submission of all material planning consent applications for BLN4	31 March 2026	Have the values given in the ASTI Confidential Annex.

New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	Submission of all material planning consent applications for BPNC	31 March 2026	Have the values given in the ASTI Confidential Annex.
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	Submission of all material planning consent applications for PSDC	31 March 2026	Have the values given in the ASTI Confidential Annex.
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	Submission of all material planning consent applications for SLU4	31 March 2026	Have the values given in the ASTI Confidential Annex.
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	Submission of all material planning consent applications for TKUP	31 March 2026	Have the values given in the ASTI Confidential Annex.
Arnish to Beaully 1.8GW HVDC link (Western Isles)	Submission of all material planning consent applications for Western Isles	31 March 2026	Have the values given in the ASTI Confidential Annex.

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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;
 - (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_t)

- 3.41.4 The value of ASTIR_t is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

ASTIA_t means the allowances in Appendix 1; and

ASTIRA_t 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 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_t.

- 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 (ASTIR_t)

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 ASTIR_t 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

ASTI Output	Delivery Date	Allowance (ASTIA_t, £m)	ECF/PA
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
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.	ECF
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF

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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.	ECF
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Arnish to Beaully 1.8GW HVDC link (Western Isles)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF

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 Beaully 1.8GW HVDC link (Western Isles)			

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Chapter 4: Output Delivery Incentives

Special Condition 4.1 Total output delivery incentive performance

Introduction

- 4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating total output delivery incentive performance

- 4.1.2 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = ENSI_t + IIGI_t + CONADJ_t + QCS_t + ESI_t + SOTO_t$$

where:

- $ENSI_t$ is derived in accordance with Special Condition 4.2 (Energy not supplied output delivery incentive);
- $IIGI_t$ is derived in accordance with Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive);
- $CONADJ_t$ has the value zero unless the Authority directs otherwise in accordance with Special Condition 4.4 (Timely Connections output delivery incentive);
- QCS_t is derived in accordance with Special Condition 4.5 (Quality of connections satisfaction survey output delivery incentive);
- ESI_t is derived in accordance with Special Condition 4.6 (Environmental scorecard output delivery incentive); and
- $SOTO_t$ is derived in accordance with Special Condition 4.7 (SO-TO optimisation output delivery incentive).

Special Condition 4.2 Energy not supplied output delivery incentive ($ENSI_t$)

Introduction

- 4.2.1 The purpose of this condition is to provide for the calculation of the term $ENSI_t$ (the energy not supplied output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.2.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to Incentivised Loss of Supply Events.
- 4.2.3 This condition also places obligations on the licensee:

- (a) to maintain and use best endeavours to comply with the ENS Incentive Methodology Statement;
- (b) in relation to the notification and treatment of ENS Exceptional Events; and
- (c) in relation to Incentivised Loss of Supply Events.

Part A: Formula for calculating the energy not supplied output delivery incentive term (ENSI_t)

4.2.4 The value of the term ENSI_t is derived in accordance with the following formula:

$$ENSI_t = \max[VOLL \cdot TIS(ENST_t - ENSA_t), -RIDPA \cdot EABR_t]$$

where:

VOLL	means the value of lost load which has the value £21,008 per MWh;
TIS	means the Totex Incentive Strength;
ENST _t	means the Incentivised Loss of Supply Events volume target and has the value of 102MWh;
ENSA _t	means the sum volume of all Incentivised Loss of Supply Events as calculated by the licensee in accordance with this condition;
RIDPA	means the maximum downside percentage adjustment, and has the value 1.9 per cent; and
EABR	means Ex-Ante Base Revenue.

Part B: ENS Incentive Methodology Statement

- 4.2.5 The licensee must have in place an ENS Incentive Methodology Statement approved by the Authority
- 4.2.6 When preparing the ENS Incentive Methodology Statement, the licensee must have regard to:
 - (a) the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition; and
 - (b) the NETS SQSS.
- 4.2.7 The licensee must use its best endeavours to apply the methodology in the ENS Incentive Methodology Statement.
- 4.2.8 The licensee, in consultation with the other Transmission Owners in whose licence a condition equivalent to this one has effect, must from time to time and at least once during the Price Control Period, review and propose any revisions to the ENS Incentive Methodology Statement as may be necessary in order to

ensure that it continues to enable the reasonable estimation of the volume of Incentivised Loss of Supply Events.

4.2.9 Before revising the ENS Incentive Methodology Statement, the licensee must provide a copy of the proposed revisions to the Authority.

4.2.10 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.

4.2.11 The Authority may direct changes to the value of the $ENST_t$ term in any Regulatory Year as a result of any proposed revisions to the ENS Incentive Methodology Statement in order to ensure as far as possible that the measured performance of the licensee against this incentive is the same as if the revision to that statement had not taken place.

Part C: Amendment of $VOLL_t$

4.2.12 The Authority may direct that the term $VOLL_t$ be changed once during the Price Control Period in order to ensure as far as possible that it best reflects customers' valuation of reliable electricity supply.

Part D: Notification and treatment of ENS Exceptional Events

4.2.13 Where the licensee considers that an ENS Exceptional Event has wholly or partly caused energy not to be supplied to a customer, the licensee must:

- (a) notify the Authority of that event as soon as reasonably practicable, but at the latest before the end of the period of 14 days beginning with the date of the event;
- (b) except where the Authority otherwise consents, during the period of 30 days beginning with the date of notification under sub-paragraph (a), provide to the Authority:
 - (i) details of the volume of energy not supplied that it considers resulted from the ENS Exceptional Event; and
 - (ii) any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - (iii) any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event, to limit the effect of the ENS Exceptional Event and to restore supplies quickly and efficiently.

4.2.14 Where an ENS Exceptional Event occurs, the Authority will consider directing an adjustment to the value of the $ENSA_t$ term.

Part E: Licensee's obligations in respect of Incentivised Loss of Supply Events

- 4.2.15 The licensee must use its reasonable endeavours to:
- (a) prevent Incentivised Loss of Supply Events;
 - (b) mitigate the impact after any such event to limit its effect; and
 - (c) restore supplies quickly and efficiently after such an event, having due regard to safety and other relevant legal obligations.

Part F: Process for issuing directions

- 4.2.16 Before issuing a direction under paragraphs 4.2.11, 4.2.12 or 4.2.14, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI_t)

Introduction

- 4.3.1 The purpose of this condition is to calculate the term IIGI_t (the Insulation And Interruption Gas emissions output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.3.2 The effect of this incentive is to reward or penalise the licensee to reflect its performance in relation to Insulation And Interruption Gas emissions from assets forming part of the licensee's Transmission System as compared against the calculated baseline target emissions.
- 4.3.3 This condition also places obligations on the licensee:
- (a) to maintain and use its best endeavours to comply with the IIG Methodology Statement; and
 - (b) in relation to the notification and treatment of IIG Exceptional Events.

Part A: Formula for calculating the Insulation And Interruption Gas emissions output delivery incentive term (IIGI_t)

- 4.3.4 The value of IIGI_t is derived in accordance with the following formula:

$$IIGI_t = (CTE_t - ALE_t) \cdot NTPC_t \cdot TIS_t$$

where:

CTE _t	means the calculated baseline target Insulation And Interruption Gas emissions in tonnes CO ₂ e from assets forming part of the licensee's Transmission System, which is derived in accordance with paragraph 4.3.5;
ALe _t	means the actual Insulation And Interruption Gas emissions in tonnes of CO ₂ e from assets forming part of the licensee's Transmission System as calculated by the licensee in accordance with this condition;
NTPC _t	means the relevant central non-traded price per tonne of CO ₂ e as set out in the Green Book Supplementary Guidance; and
TIS _t	means the Totex Incentive Strength.

4.3.5 The value of CTE_t is derived in accordance with the following formula:

$$CTE_t = BASE + \sum_{t=2021/22}^t (ADD_t - DSP_t - SFADJ_t)$$

where:

BASE	means the licensee's baseline Insulation And Interruption Gas emissions in tonnes CO ₂ e and is calculated with respect to the Regulatory Year commencing on 1 April 2021 by multiplying the licensee's IIG Inventory at the end of RIIO-ET1 by 0.38%;
ADD _t	means the Insulation And Interruption Gas emissions in tonnes CO ₂ e from new assets added to the licensee's Transmission System as calculated in accordance with this condition. For an asset added during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it formed part of the licensee's Transmission System;
DSP _t	means the reduction in Insulation And Interruption Gas emissions in tonnes CO ₂ e from assets decommissioned from service on the licensee's Transmission System as calculated in accordance with this condition. For an asset removed during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it did not form part of the licensee's Transmission System; and

SFAD_t means the reduction in Insulation And Interruption Gas emissions in tonnes CO₂e from Funded SF₆ Asset Interventions on the licensee's Transmission System following completion of the intervention, calculated using an estimate of the expected annual abatement, as set out in its submissions for funding for those interventions. For an asset intervened on during Regulatory Year *t*, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year *t* during which that asset formed part of the licensee's Transmission System after the intervention work was completed.

Part B: IIG Methodology Statement

- 4.3.6 The licensee must have in place an IIG Methodology Statement approved by the Authority.
- 4.3.7 The IIG Methodology Statement must:
- (a) be consistent with industry best practice for measuring actual and estimating expected leakage of Insulation And Interruption Gases from the assets forming part of the licensee's Transmission System;
 - (b) in respect of each Insulation And Interruption Gas, set out how the licensee's actual and expected emissions are adjusted to tonnes of CO₂e by:
 - i. using the relevant global warming potential values set out in the latest assessment report of the United Nations Intergovernmental Panel on Climate Change as published on the Greenhouse Gas Protocol Website;
 - ii. where the information in i. above is not available, using the relevant global warming potential values set out in Annex IV (Method of Calculating the Total GWP of a Mixture) to Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006; or
 - iii. where the information in i. or ii. above is not available, using the relevant global warming potential values from an alternative appropriate source, and explaining the process undertaken to verify that source; and
 - (c) set out the methodology by which the licensee will determine the leakage of Insulation And Interruption Gases from the assets forming part of its Transmission System for the purposes of calculating the ALE_t, ADD_t and DSP_t terms.
- 4.3.8 The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.

- 4.3.9 The licensee must from time to time and in any event not less than once in every period of two Regulatory Years, review and propose such revisions to the IIG Methodology Statement as may be necessary in order to ensure that it continues to comply with paragraph 4.3.7.
- 4.3.10 Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.
- 4.3.11 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 which it considers should be made.

Part C: Notification and treatment of IIG Exceptional Events

- 4.3.12 Where the licensee considers that an IIG Exceptional Event has wholly or partly caused leakage of an Insulation And Interruption Gas, it must:
- (a) notify the Authority of that event as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date of the event;
 - (b) except where the Authority otherwise consents, during the period of 30 days beginning with the notification under sub-paragraph (a), provide to the Authority:
 - i. details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from the IIG Exceptional Event;
 - ii. any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - iii. any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event to limit its effect.
- 4.3.13 The licensee must not provide the details required by paragraph 4.3.12(b) where the cost of doing so is likely to exceed the value of the volume of leakage referred to in paragraph 4.3.12(b)(i), calculated using the relevant central non-traded price per tonne of CO₂e as set out in the Green Book Supplementary Guidance.
- 4.3.14 Where an IIG Exceptional Event occurs, the Authority will consider directing an adjustment to the ALE_t term.
- 4.3.15 Before directing an adjustment to the ALE_t term under paragraph 4.3.14, 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.

Special Condition 4.4 Timely connections output delivery incentive (CONADJ_t)

Introduction

- 4.4.1 The purpose of this condition is to calculate the term CONADJ_t (the timely connections output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.4.2 Where the Authority decides to apply the CONADJ_t term, the effect will be to penalise the licensee for failing to deliver timely offers for connection to the licensee's Transmission System.

Part A: Formula for calculating the Timely Connections output delivery incentive term (CONADJ_t)

- 4.4.3 The value of CONADJ_t is derived in accordance with the following formula:

$$CONADJ_t = - \frac{Untimely\ Offers_t}{Total\ Offers_t} 0.005\ EABR_t$$

where:

Untimely Offers _t	means the total number of offers made other than in accordance with the licensee's Timely Connections Obligations;
Total Offers _t	means the sum of the number of Untimely Offers and the number of offers made consistent with the licensee's Timely Connections Obligations; and
EABR _t	means Ex-Ante Base Revenue.

Part B: Process for directing the application of the CONADJ_t term

- 4.4.4 Where the Authority considers that the CONADJ_t term should apply as an adjustment to the licensee's Calculated Revenue it will do so by direction.
- 4.4.5 Before issuing a direction under paragraph 4.4.4 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.

Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCS_t)

Introduction

- 4.5.1 The purpose of this condition is to calculate the term QCS_t (the quality of connections satisfaction survey output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.5.2 The effect of this output delivery incentive is to reward or penalise the licensee where its customer service performance improves or deteriorates.

Part A: Adjustments arising from the quality of connections satisfaction survey (QCS_t)

- 4.5.3 The value of the QCS_t term is derived in accordance with the following formula:

$$QCS_t = \begin{cases} \min \left(\frac{QCSAS_t - QCSATU_t}{QCSAMAX_t - QCSATU_t}, 1 \right) QCSUPAt \cdot EABR, & QCSAS_t \geq QCSATU_t \\ \max \left(\frac{QCSAS_t - QCSATU_t}{QCSATU_t - QCSAMIN_t}, -1 \right) QCSDPAt \cdot EABR, & QCSAS_t < QCSATU_t \end{cases}$$

where:

QCSAS _t	means the performance score for the quality of connections satisfaction survey;
QCSATU _t	means the quality of connections satisfaction survey performance score target, fixed at 7.7
QCSAMAX _t	means the quality of connections satisfaction survey maximum level of reward, which is fixed as 9;
QCSAMIN _t	means the quality of connections satisfaction survey maximum level of penalty, which is fixed as 6.4;
EABR	means Ex-Ante Base Revenue;
QCSUPA _t	means the quality of connections satisfaction survey maximum upside percentage point adjustment, and has the value specified in Appendix 1; and
QCSDPA _t	means the quality of connections satisfaction survey maximum downside percentage point adjustment, and has the value specified in Appendix 1.

Appendix 1

Quality of connections survey maximum upside and minimum downside percentage point adjustment

Regulatory Year	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26
QCSUPA _t	0.0025	0.005	0.005	0.005	0.005
QCSDPA _t	0	0.005	0.005	0.005	0.005

Special Condition 4.6 Environmental scorecard output delivery incentive (ESI_t)

Introduction

- 4.6.1 The purpose of this condition is to calculate the term ESI_t (the environmental scorecard output delivery incentive term). This contributes to the calculation of the ODI_t term (the output delivery incentives term), which in turn feeds into the calculation of the Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 The effect of this incentive is to reward or penalise the licensee for its performance in the environmental areas specified in this licence condition compared to annual thresholds.
- 4.6.3 This condition also sets out the process that the Authority will follow to delay the application of this condition, until such time as the licensee has brought forward the necessary evidence to populate the values in this condition.

Part A: Process for turning on this licence condition

- 4.6.4 Part B does not have effect and the value of ESI_t will be zero, until such time as the Authority directs otherwise.
- 4.6.5 The licensee may request that the Authority make a direction under paragraph 4.6.4 by sending an application to the Authority in writing setting out:
- (a) the proposed values for OTTR1_t, OTTR2_t, OTTP1_t, OTTP2_t, OTI_t, BMTR1_t, BMTR2_t, BMTP1_t, BMTP2_t, BMI_t, WRTR1_t, WRTR2_t, W RTP1_t, W RTP2_t, WRI_t, WTR1_t, WTR2_t, WTP1_t, WTP2_t, WI_t, WUTR1_t, WUTR2_t, WUTP1_t,

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WUTP2_t, WUI_t, EVTR1_t, EVTR2_t, EVTP1_t, EVRP2_t, EVI_t, EVTT_t, BGTR_t, BGTP_t, BGI_t;

- (b) the scope of WRA_t, WA_t and WUA_t; and
 - (c) the baseline measures for the impact areas set out in Appendix 3.
- 4.6.6 The licensee may only make an application under paragraph 4.6.5 where it has evidence of support from relevant stakeholders on:
- (a) the proposed values for the terms set out in paragraph 4.6.5(a);
 - (b) the proposed scope for WRA_t, WA_t and WUA_t; and
 - (c) the baseline measures for the impact areas set out in Appendix 3.
- 4.6.7 Before making a direction under paragraph 4.6.4 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.
- 4.6.8 A direction under paragraph 4.6.4 will set out:
- (a) amendments to this condition:
 - (b) setting the values for the terms specified in paragraph 4.6.5(a);
 - (c) defining the scope of WRA_t, WA_t and WUA_t; and
 - (d) setting the baseline measures for the impact areas in Appendix 3; and
 - (e) the date from which the direction is to have effect, which will not be before the first day of the Regulatory Year following the making of the direction.

Part B: Formula for calculating the environmental scorecard output delivery incentive term (ESI_t)

- 4.6.9 Where the Authority has made a direction under Part A, the value of ESI_t is to be derived in accordance with the following formula:

$$ESI_t = (OT_t + BM_t + WR_t + W_t + WU_t + BG_t + EV_t) * TIS$$

where:

OT _t	means the value for the operational transport emissions component of the environmental scorecard incentive derived in accordance with the following formula: = 2*OTI_t, if OTA_t ≤ OTTR2_t = OTI_t, if OTTR1_t ≥ OTA_t > OTTR2_t = -2*OTI_t, if OTA_t ≥ OTTP2_t = -OTI_t, if OTTP1_t ≤ OTA_t < OTTP2_t otherwise has a value zero;
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OTI _t	means the incentive for operational transport emissions and has the value set out in Appendix 1;
OTA _t	means the percentage change in the licensee's total operational transport emissions compared to baseline levels in Appendix 3;
OTTR2 _t	means the second reward threshold for operational transport emissions and has the value set out in Appendix 2;
OTTR1 _t	means the first reward threshold for operational transport emissions and has the value set out in Appendix 2;
OTTP1 _t	means the first penalty threshold for operational transport emissions and has the value set out in Appendix 2;
OTTP2 _t	means the second penalty threshold for operational transport emissions and has the value set out in Appendix 2;
BM _t	means the value for the business mileage emissions component of the environmental scorecard incentive derived in accordance with the following formula: = 2*BMI_t, if BMA_t ≤ BMTR2_t = BMI_t, if BMTR1_t ≥ BMA_t > BMTR2_t = -2*BMI_t, if BMA_t ≥ BMTP2_t = -BMI_t, if BMTP1_t ≤ BMA_t < BMTP2_t otherwise has a value zero;
BMI _t	means the incentive for business mileage emissions and has the value set out in Appendix 1;
BMA _t	means the percentage change in the licensee's total business mileage CO2e emissions compared to baseline levels in Appendix 3;
BMTR2 _t	means the second reward threshold for business mileage emissions and has the value set out in Appendix 2;
BMTR1 _t	means the first reward threshold for business mileage emissions and has the value set out in Appendix 2;
BMTP1 _t	means the first penalty threshold for business mileage emissions and has the value set out in Appendix 2;
BMTP2 _t	means the second penalty threshold for business mileage emissions and has the value set out in Appendix 2;

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WR _t	means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula: = 2*WRI_t, if WRA_t >= WRTR2_t = WRI_t, if WRTR1_t <= WRA_t < WRTR2_t = -2*WRI_t, if WRA_t <= WRTP2_t = -WRI_t, if WRTP1_t >= WRA_t < WRTP2_t otherwise has a value zero;
WRI _t	means the incentive for waste recycling and has the value set out in Appendix 1;
WRA _t	means the percentage of the licensee's operational and office waste that is recycled;
WRTR2 _t	means the second reward threshold for waste recycling and has the value set out in Appendix 2;
WRTR1 _t	means the first reward threshold for waste recycling and has the value set out in Appendix 2;
WRTP1 _t	means the first penalty threshold for waste recycling and has the value set out in Appendix 2;
WRTP2 _t	means the second penalty threshold for waste recycling and has the value set out in Appendix 2;
W _t	means the value for the waste reduction component of the environmental scorecard incentive derived in accordance with the following formula: = 2*WI_t, if WA_t <= WTR2_t = WI_t, if WTR1_t >= WA_t > WTR2_t = -2*WI_t, if WA_t >= WTP2_t = -WI_t, if WTP1_t <= WA_t < WTP2_t otherwise has the value zero;
WI _t	means the incentive for waste reduction and has the value set out in Appendix 1;
WA _t	means the percentage change in the licensee's waste generated compared to baseline levels in Appendix 3;
WTR2 _t	means the second reward threshold for waste reduction and has the value set out in Appendix 2;

WTR1 _t	means the first reward threshold for waste reduction and has the value set out in Appendix 2;
WTP1 _t	means the first penalty threshold for waste reduction and has the value set out in Appendix 2;
WTP2 _t	means the second penalty threshold for waste reduction and has the value set out in Appendix 2;
WU _t	means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * WUI_t, \text{ if } WUA_t \leq WUTR2_t$ $= WUI_t, \text{ if } WUTR1_t \leq WUA_t < WUTR2_t$ $= -2 * WUI_t, \text{ if } WUA_t \geq WUTP2_t$ $= -WUI_t, \text{ if } WUTP1_t \leq WUA_t < WUTP2_t$ otherwise has a value zero;
WUI _t	means the incentive for water use reduction and has the value set out in Appendix 1;
WUA _t	means the percentage change in the volume of [scope to be defined eg construction/operational/office] water use compared to the baseline levels in Appendix 3;
WUTR2 _t	means the second reward threshold for water use reduction and has the value set out in Appendix 2;
WUTR1 _t	means the first reward threshold for water use reduction and has the value set out in Appendix 2;
WUTP1 _t	means the first penalty threshold for water use reduction and has the value set out in Appendix 2;
WUTP2 _t	means the second penalty threshold for water use reduction and has the value set out in Appendix 2;
BG _t	means the value for the Biodiversity Net Gain component of the environmental scorecard incentive derived in accordance with the following formula: $= BGR_t + BGP_t$

BGR _t	means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula: $=NR_t * BGI_t$ otherwise has the value zero;
BGP _t	means the value of penalty for all Qualifying Projects that achieved equal to or less the penalty threshold and is derived in accordance with the following formula: $=NP_t * -BGI_t$ otherwise has the value zero;
NR _t	means the number of Qualifying Projects that have met or exceeded the reward threshold BGR _t in the Regulatory Year and otherwise has the value zero;
NP _t	means the number of Qualifying Projects that have achieved equal to or less than the penalty threshold BGP _t in the Regulatory Year and otherwise has the value zero;
BGI _t	means the incentive for Biodiversity Net Gain and has the value set out in Appendix 1;
BGR _t	means the reward threshold for Biodiversity Net Gain and has the value set out in Appendix 2;
BGP _t	means the penalty threshold for Biodiversity Net Gain and has the value set out in Appendix 2;
EV _t	means the value for the Environmental Value component of the environmental scorecard incentive; For years 2021/22 to 2024/25, EV_t is derived in accordance with the following formula: $=EVPC_t + EVCOR_t$ For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula: $= -[aa] * EVI_t - EVCOR_{t-1}, \text{ if } \sum_{2021/22}^t EVA_t * 100 < [bb],$ $= (\text{Min} (\sum_{2021/22}^t EVA_t * 100, [dd]) - [cc]) * EVI_t - EVCOR_{t-1} \text{ in all other cases;}$

EVPC _t	means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula: $= EVI_t * (EVTP2_t - EVTT_t) * 100, \text{ if } EVA_t \leq EVTP2_t;$ $= EVI_t * (EVTP1_t - EVTT_t) * 100, \text{ if } EVTP2_t < EVA_t \leq EVTP1_t;$ $= EVI_t * (EVTR1_t - EVTT_t) * 100, \text{ if } EVTR1_t \leq EVA_t < EVTR2_t;$ $= EVI_t * (EVTR2_t - EVTT_t) * 100, \text{ if } EVA_t \geq EVTR2_t;$ otherwise has the value zero;
EVI _t	means the incentive for Environmental Value and has the value set out in Appendix 1;
EVTR1 _t	means the first reward threshold for Environmental Value and has the value set out in Appendix 2;
EVTR2 _t	means the second reward threshold for Environmental Value and has the value set out in Appendix 2;
EVTP1 _t	means the first penalty threshold for Environmental Value and has the value set out in Appendix 2;
EVTP2 _t	means the second penalty threshold for Environmental Value and has the value set out in Appendix 2;
EVTT _t	means the baseline Environmental Value target and has the value set out in Appendix 4;
EVA _t	means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 1;
EVCOR _t	means the correction factor for the Environmental Value component and is derived in accordance with the following formula: $= \text{Min} [-(EVCOM_{t-1} + EVPC_t), (EVA_t - EVTT_t) * 100 * EVI_t], \text{ if } (EVCOM_{t-1} + EVPC_t) < 0 \text{ AND } EVA_t > EVTT_t$ $= \text{Max} [-(EVCOM_{t-1} + EVPC_t), (EVA_t - EVTT_t) * 100 * EVI_t], \text{ if } (EVCOM_{t-1} + EVPC_t) > 0 \text{ AND } EVA_t < EVTT_t$ otherwise has a value zero;
EVCOM _t	means the cumulative calculated value of the Environmental Value component of the Environmental Scorecard over the Price Control Period and is derived in accordance with the following formula: $= \sum_{2021/22}^t EV_t;$

[bb], [cc] and [dd]	are placeholders for the respective cumulative percentage changes of EVTP2 _t , EVTR2 _t and EVTT _t as at the end of the Price Control Period;
[aa]	is a placeholder for the value to be derived from [bb] – [dd]; and
TIS	means the Totex Incentive Strength.

Appendix 1

Incentive values

Incentive rates	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTI _t	TBC	TBC	TBC	TBC	TBC
BMI _t	TBC	TBC	TBC	TBC	TBC
WRI _t	TBC	TBC	TBC	TBC	TBC
WI _t	TBC	TBC	TBC	TBC	TBC
WUI _t	TBC	TBC	TBC	TBC	TBC
EVI _t	TBC	TBC	TBC	TBC	TBC
BGI _t	TBC	TBC	TBC	TBC	TBC

Appendix 2

Annual performance thresholds

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTTR2	TBC	TBC	TBC	TBC	TBC
OTTR1					
OTTP1					
OTTP2					
BMTR2	TBC	TBC	TBC	TBC	TBC
BMTR1					
BMTP1					
BMTP2					
WRTR2	TBC	TBC	TBC	TBC	TBC

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Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
WRTR1					
WRTP1					
WRTP2					
WTR2	TBC	TBC	TBC	TBC	TBC
WTR1					
WTP1					
WTP2					
WUTR2	TBC	TBC	TBC	TBC	TBC
WUTR1					
WUTP1					
WUTP2					
EVTR2	TBC	TBC	TBC	TBC	TBC
EVTR1					
EVTP1					
EVTP2					
BGTR	TBC	TBC	TBC	TBC	TBC
BGTP					

Appendix 3

Baseline measures

Impact area	Year	Level
Operational fleet emissions	TBC	TBC
Business travel emissions covering [scope to be defined]	TBC	TBC
Waste generated in tonnes covering [scope to be defined]	TBC	TBC
Water use in litres [scope to be defined]	TBC	TBC
Environmental Value of licensee's non-operational land (£m)	TBC	TBC

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Appendix 4

Baseline Environmental Gain Targets

	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
EVT _T	TBC	TBC	TBC	TBC	TBC

Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTO_t)

Introduction

- 4.7.1 The purpose of this condition is to calculate the term SOTO_t (the SO-TO optimisation output delivery incentive term). This contributes to the calculation of the term ODI_t (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_t)

- 4.7.3 For Regulatory Years commencing on 1 April 2023, 1 April 2024 and 1 April 2025, the value of the term SOTO_t is derived in accordance with the following formula:

$$SOTO_t = \min(SOTOSF_t \cdot 0.5 \cdot (SOTOS_t + SOTOOt), SOTOSF_t \cdot SOTOS_t)$$

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 ISOP for the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and
- $SOTOOt$ means the total outturn constraint savings estimated by the ISOP after the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document.

Part B: SO-TO Optimisation Governance Document

- 4.7.4 The licensee must comply with the SO-TO Optimisation Governance Document.
- 4.7.5 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.
- 4.7.6 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.

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- 4.7.7 The SO-TO Optimisation Governance Document will make provision about the governance and administration of the SO-TO Optimisation output delivery incentive, including:
- (a) the definition of 'SOTO Optimisation Solutions'; and
 - (b) the reporting obligations in respect of the SO-TO optimisation output delivery incentive.
- 4.7.8 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.
- 4.7.9 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.

Special Condition 4.8 Consumer value proposition

Introduction

- 4.8.1 The purpose of this condition is to:
- (a) specify the CVP Outputs and associated CVP Rewards; and
 - (b) allow for the adjustment of the term BPI_t (the Business Plan incentive term), which contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.8.2 This condition also explains the process the Authority will follow when assessing the delivery of the CVP Outputs and directing a value for an adjustment to BPI_t .

Part A: What is the licensee expected to deliver?

- 4.8.3 Appendix 1 specifies the CVP Outputs that the licensee is expected to deliver, the delivery dates for those outputs and the rewards and costs provided.

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Part B: Reporting requirements

- 4.8.4 The licensee must submit a report to the Authority:
- (a) demonstrating how the licensee has delivered its CVP Outputs set out in Appendix 1;
 - (b) where it has not delivered a CVP Output, an explanation of the reasons why; and
 - (c) such detailed evidence as is reasonable in the circumstances.
- 4.8.5 The report must be submitted on or before a date directed by the Authority, which will be after the Price Control Period ends.

Part C: Authority Assessment and direction

- 4.8.6 The Authority will consider directing an adjustment to the BPI_t term after the Price Control Period where the licensee has not demonstrated CVP Full Delivery.
- 4.8.7 Any adjustment to the BPI_t term under paragraph 4.8.6 will use the adjustment mechanism set out in RIIO-2 Final Determinations – SHET Annex.
- 4.8.8 Before making a direction under paragraph 4.8.6 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.
- 4.8.9 A direction under paragraph 4.8.6 will set out the value of the BPI_t term and the Regulatory Years to which that value relates.

Appendix 1

Consumer value propositions

CVP name	CVP Output	Delivery date	Reward (£m)
Science Based Target	Emissions reduction of 2,816 t/CO ₂ e relative to 2019 baseline of 8,448 t/CO ₂ e.	31 Mar 2026	2.08
Biodiversity No Net Loss / Net Gain	Designing sufficient Biodiversity Units into construction projects in order to achieve No Net Loss on projects consented from 2020 and Biodiversity Net Gain on projects consented from 2025.	31 Mar 2026	8.46

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Special Condition 4.9 Accelerated strategic transmission investment output delivery incentive (ASTII_t)

Introduction

- 4.9.1 The purpose of this condition is to provide for the calculation of the term ASTII_t (the Accelerated strategic transmission investment output delivery incentive term). The ASTII_t term contributes to the licensee's Allowed Revenue.
- 4.9.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to the ASTI ODI Target Date.
- 4.9.3 This condition also establishes a mechanism for the licensee to apply for a modification to the:
- (a) value of the ASTI ODI Penalty Exemption Period in Appendix 1 following a Delay Event; and
 - (b) the ASTI ODI Target Date in Appendix 1 following a material change to the scope of an ASTI Output.

Part A: Formula for calculating the accelerated strategic transmission investment output delivery incentive term (ASTII_t)

- 4.9.4 The value of the term ASTII_t is derived in accordance with the following formula:

$$ASTII_t = \sum_{n=1}^n AnnualODIP_{n,t} + \sum_{n=1}^n AnnualODIR_{n,t}$$
$$AnnualODIP_{n,t} = -F_n \cdot \min \left[\max[Start\ Day\ of\ year\ (t+1) - CalcD, 0], \text{days in year } t, -\min \left[\frac{CappedODI_n - \sum_{2021/22}^{t-1} AnnualODIP_{n,t}}{F_n} + 0, 0 \right] \right]$$
$$AnnualODIR_{n,t} = F_n \cdot \min \left[\max[Start\ Day\ of\ year\ (t+1) - Delivery\ Date_n, 0], \text{days in year } t, \max \left[\frac{CappedODI_n - \sum_{2021/22}^{t-1} AnnualODIR_{n,t}}{F_n}, 0 \right] \right]$$

where

$$CappedODI_n = \max[\min(UncappedODI_n, Cap_n), -Cap_n];$$

and

$$UncappedODI_n = \begin{cases} -F_n \cdot (D_n - PE_n), & \text{if } D_n \geq 0 \\ -F_n \cdot D_n, & \text{if } D_n < 0 \end{cases}$$

where:

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D_n	equals (Delivery Date _n – ASTI ODI Target Date);
<i>Delivery Date_n</i>	means the date on which Project n is delivered, or is expected to be delivered;
PE_n	means the ASTI ODI Penalty Exemption Period in days for Project n as set out in Appendix 1;
$CalcD$	means the ASTI ODI Target Date plus ASTI ODI Penalty Exemption Period in days;
F_n	is the Daily Reward/Penalty for Project n set out in Appendix 1 of this condition;
Cap_n	is the ODI Cap for Project n set out in Appendix 1 of this condition;
T	represents the Regulatory Year; and
N	represents each ASTI project

Part B: Applications for modifications to Appendix 1

- 4.9.5 The licensee may apply under this Part for a modification to the ASTI ODI Penalty Exemption Periods and the ASTI ODI Target Dates in Appendix 1.
- 4.9.6 The licensee may apply under this Part to modify the ASTI ODI Target Dates in Appendix 1 where there is a material change to the scope of the relevant ASTI project.
- 4.9.7 The licensee may apply to the Authority for a modification to the ASTI ODI Penalty Exemption Period in Appendix 1 where there has been a Delay Event. The licensee must notify the Authority in writing of its intention to make an application under paragraph 4.9.8 within 45 days of the later of:
- (a) the event that is the subject of that application commencing;
 - (b) the licensee becoming aware of the event having commenced; or
 - (c) this condition coming into effect.
- 4.9.8 The licensee may apply to the Authority:
- (a) within 45 days of the earlier of:
 - i. cessation of the event that is the subject of the application;
 - ii. the notification to the Authority in accordance with paragraph 4.9.7(c); or
 - (b) by any other date directed by the Authority, which shall be no earlier than the relevant date under paragraph 4.9.8(a).

- 4.9.9 An application under paragraph 4.9.8 must be made in writing and include:
- (a) a description of the event that is the subject of the application along with evidence that demonstrates that the event is a Delay Event;
 - (b) the requested modification to the ASTI ODI Penalty Exemption Period value along with supporting analysis and evidence; and
 - (c) any evidence available that the licensee took reasonable steps before and after the event to prevent, mitigate and limit the event's effect.
- 4.9.10 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when notifying the Authority or making an application under this Part.
- 4.9.11 A modification under this Part will be made under section 11A of the Act.

Appendix 1

ASTI ODI Target Dates, Daily reward/penalty and ASTI ODI Penalty Exemption Period

Project	ASTI ODI Target Date	Daily Reward/ Penalty (£)	Aggregate ODI Cap (£)	ASTI ODI Penalty Exemption Period
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annxoex.	Have the values given in the ASTI Confidential Annex.	Zero Days
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.	Have the values given in the ASTI Confidential Annex.	Zero Days
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days

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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.	Have the values given in the ASTI Confidential Annex.	Zero Days
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.	Have the values given in the ASTI Confidential Annex.	Zero Days
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Arnish to Beaully 1.8GW HVDC link (Western Isles)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days

Chapter 5: Other Revenue Allowances

Special Condition 5.1 Total other revenue allowances (ORA_t)

Part A: Introduction

- 5.1.2 The purpose of this condition is to calculate the term ORA_t (the other revenue allowances term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part B: Formula for calculating other revenue allowances term (ORA_t)

- 5.1.3 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + NTMP_t + NZF_t + TIRG_t + PRPN_t$$

where:

- NIA_t is derived in accordance with Special Condition 5.2 (RIIO-2 network innovation allowance);
- $CNIA_t$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);
- $NTMP_t$ is derived in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance);
- NZF_t is derived in accordance with Special Condition 5.5 (Net Zero Fund use it or lose it allowance);
- $TIRG_t$ is derived in accordance with Special Condition 5.7 (Transmission investment for renewable generation); and
- $PRPN_t$ means the pre-RIIO pension true-up and has the value given in the ET2 Price Control Financial Model.

Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the network innovation allowance term). This contributes to the calculation of the term ORA_t (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_t)

- 5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t 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, 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_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (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_t)

- 5.3.4 For the Regulatory Year commencing on 1 April 2021, the value of CNIA_t 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_t 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;

<i>BR2020/21</i>	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;
<i>ENIA2020/21</i>	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
<i>BPC2020/21</i>	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, 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 RIIO-1 NIA Governance Document

- 5.3.11 Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended RIIO-1 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-1 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

Special Condition 5.4 Non-Technical Mitigation Projects allowance (NTMP_t)

Introduction

- 5.4.1 The purpose of this condition is to specify the term NTMP_t (the Non-Technical Mitigation Projects term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.4.2 The effect of this condition is to provide an allowance for Non-Technical Mitigation Projects.

Part A: Amending NTMP_t values

- 5.4.3 The value of term NTMP_t in each Regulatory Year is the total amount of the licensee's allowances for Non-Technical Mitigation Projects for that Regulatory Year.
- 5.4.4 The Authority will calculate NTMP_t Value for the licensee in accordance with the following formula:

$$NTMP_t = \max \left(\min \left(NTPAE_t, \quad NTPC - \sum_{k=2021/22}^{2025/26} NTPAE_k \right), 0 \right)$$

where:

NTPC	means the total value of the licensee's expenditure cap for Non-Technical Mitigation Projects for the Price Control Period set out in Appendix 1; and
NTPAE _t	means the licensee's expenditure on Non-Technical Mitigation Projects that the licensee reports to the Authority it has incurred that Regulatory Year in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy required by Part C of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance); and
NTPAE _k	means the licensee's expenditure on Non-Technical Mitigation Projects that the licensee has reported to the Authority for previous Regulatory Years of the Price Control Period.

Appendix 1

Expenditure cap for Non-Technical Mitigation Projects (NTPC_t) (£m)

11.6

Special Condition 5.5 Not used

Special Condition 5.6 Not Used

Special Condition 5.7 Transmission investment for renewable generation (TIRG_t)

Introduction

- 5.7.1 The purpose of this condition is to calculate the term TIRG_t (the transmission investment for renewable generation term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.7.2 The effect of this condition is to extend the RIIO-ET1 transmission investment for renewable generation funding.
- 5.7.3 This condition also specifies the information the licensee must provide on transmission investment projects.

Part A: Part A: Calculation the TIRG revenue allowance

- 5.7.4 The value of TIRG_t will be calculated in accordance with the following formula

$$TIRG_t = LTIRG_t \cdot \frac{PI_{2018/19}}{PI_t}$$

where

- $LTIRG_t$ has the value of TIRG_t calculated in accordance with RIIO-ET1 Special Condition 3J (Transmission Investment for Renewable Generation) as in force on 31 March 2021; and
- PI_t is the price index derived in accordance with Part F of Special Condition 2.1.

Part B: Information to be provided to the Authority in connection with Transmission Investment for Renewable Generation

- 5.7.5 The licensee must comply with the reporting obligations specified in Special Condition 3J of this licence as in force on 31 March 2021.

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (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_t)

- 6.1.3 The value of the PT_t 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 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_t)

- 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_t by direction.

Special Condition 6.2 Energy not supplied compensatory scheme pass-through (SHCP_t)

Introduction

- 6.2.1 The purpose of this condition is to calculate the term SHCP_t (the compensatory scheme pass-through term). This contributes to the calculation of the term PT_t (the allowed pass-through term), which in turns feed into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.2.2 The effect of this condition is to adjust the licensee's revenue to reflect payments made in accordance with the ENS Compensatory Payment Methodology.
- 6.2.3 This condition also places obligations on the licensee with respect to that methodology.

Part A: Formula for calculating the compensatory payments adjustment term (SHCP_t)

- 6.2.4 The value of SHCP_t is derived in accordance with the following formula:

$$SHCP_t = (DCP_t + CCP_t)$$

where:

DCP _t	is the sum of compensatory payments made to Domestic Customers corresponding to Loss of Supply Events, as derived in accordance with paragraph 6.2.5; and
CCP _t	is the sum of compensatory payments made to Commercial Customers corresponding to Loss of Supply Events, as derived in accordance with paragraph 6.2.6.

- 6.2.5 The value of DCP_t is derived in accordance with the following formula:

$$DCP_t = (DCOS_t \times DC) + (EDCOS_t \times EDC)$$

where:

DCOS _t	is the total number of Domestic Customers off supply for a period of six hours or more that are eligible for a compensatory payment under the ENS Compensatory Payment Methodology;
DC	is the compensatory payment for Domestic Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event;
EDCOS _t	is the total number of Domestic Customers off supply for a period of twelve hours or more that are eligible for

enhanced compensatory payment under the ENS Compensatory Payment Methodology; and

EDC is the enhanced compensatory payment for Domestic Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event.

6.2.6 The value of CCP_t is derived in accordance with the following formula:

$$CCP_t = (CCOS_t \times CC) + (ECCOS_t \times ECC)$$

where:

$CCOS_t$ is the total number of Commercial Customers off supply for a period of six hours or more that are eligible for compensatory payment under the ENS Compensatory Payment Methodology;

CC is the compensatory payment for Commercial Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event;

$ECCOS_t$ is the total number of Commercial Customers off supply for a period of twelve hours or more that are eligible for enhanced compensatory payment under the ENS Compensatory Payment Methodology; and

ECC is the enhanced compensatory payment for Commercial Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event.

Part B: ENS Compensatory Payment Methodology

- 6.2.7 The licensee must have in place an ENS Compensatory Payment Methodology approved by the Authority.
- 6.2.8 The ENS Compensatory Payment Methodology must set out the methodology by which the licensee will:
- (a) identify and contact eligible customers;
 - (b) calculate payment amounts; and
 - (c) process compensatory payments for Loss of Supply Events.
- 6.2.9 The licensee must use its best endeavours to apply the ENS Compensatory Payment Methodology.
- 6.2.10 The licensee must from time to time, and in any event not less than once in every period of two Regulatory Years, review and propose any revisions to the

ENS Compensatory Payment Methodology as may be necessary in order to ensure that it continues to enable the identification and contacting of eligible customers, and the processing of compensatory payments.

6.2.11 Before revising the ENS Compensatory Payment Methodology, the licensee must submit a copy of the proposed revisions to the Authority.

6.2.12 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.

Chapter 7: Legacy adjustments

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

7.1.1 The purpose of this condition is to calculate the term LAR_t (the legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating total legacy adjustments (LAR_t)

7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + LSSO_t + LEDR_t + LSFI_t + LRI_t$$

where:

LPT_t is derived in accordance with Special Condition 7.2 (Legacy pass-through items);

$LMOD_t$ has the value in sheet “SHET” of the ET2 Price Control Financial Model unless the Authority directs otherwise in accordance with Special Condition 7.3 (Legacy MOD);

LK_t is derived in accordance with Special Condition 7.4 (Legacy K correction);

$LTRU_t$ is derived in accordance with Special Condition 7.5 (Legacy TRU term);

$LSSO_t$ is derived in accordance with Special Condition 7.6 (Close out of the RIIO-ET1 stakeholder satisfaction output);

$LEDR_t$ is derived in accordance with Special Condition 7.7 (Close out of the RIIO-1 adjustment in respect of the Environmental Discretionary Reward Scheme);

$LSFI_t$ is derived in accordance with Special Condition 7.8 (Close out of the RIIO-ET1 Incentive in respect of the sulphur hexafluoride (SF6) gas emissions incentive); and

LRI_t is derived in accordance with Special Condition 7.9 (Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied).

$NOCO_t$ is derived in accordance with Special Condition 7.10 (Close out of RIIO-1 Network Outputs);

Special Condition 7.2 Legacy pass-through items (LPT_t)

Introduction

- 7.2.1 The purpose of this condition is to calculate the LPT_t term (the RIIO-ET1 pass-through items close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to close out certain RIIO-ET1 allowed pass-through terms, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the specified pass-through costs adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 pass-through items (LPT_t)

- 7.2.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT_t is derived in accordance with the following formula:

$$LPT_t = LRB_t + LTPD_t$$

where

LRB_t has the value of RB_t as determined in accordance with Part B of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021; and

$LTPD_t$ has the value of TPD_t as determined in accordance with Part D of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021.

- 7.2.4 For Regulatory Years commencing on or after 1 April 2023, the value of $LTPD_t$ is zero.

Special Condition 7.3 Legacy MOD ($LMOD_t$)

Introduction

- 7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term $LMOD_t$ (the legacy MOD term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.3.2 The effect of this condition is to reflect the close out of the ET1 Price Control Financial Model.

Part A: Authority Assessment and direction

- 7.3.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of $LMOD_t$, is derived in accordance with the following formula:

$$LMOD_t = MOD_t \cdot RPIF_t$$

where:

- MOD_t has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the ET1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the ET2 Price Control Financial Handbook; and
- $RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

- 7.3.4 For Regulatory Years commencing on 1 April 2023, 1 April 2024, and 1 April 2025, the value of $LMOD_t$ is derived in accordance with the following formula:

$$LMOD_t = \frac{COA}{3} \cdot CWACC_t \cdot \frac{PI_t}{PI_{2018/19}}$$

where:

- COA means the closeout adjustment in 2018/19 prices, and has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the ET2 Price Control Financial Handbook;
- $CWACC_t$ means compound WACC and has the value derived in accordance with Part B;
- PI_t has the value given to it by Part F of Special Condition 2.1; and
- $PI_{2018/19}$ has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2018.

- 7.3.5 Before making a direction under paragraph 7.3.3 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 B: Compound WACC

- 7.3.6 For the Regulatory Year commencing on 1 April 2021, $CWACC_t$ has the value of 1.

- 7.3.7 For Regulatory Years commencing on or after 1 April 2022, $CWACC_t$ is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2021/22}^{t-1} (1 + WACC_t)$$

where:

$WACC_t$ means vanilla weighted average cost of capital, set out in accordance with the ET2 Price Control Financial Handbook.

Special Condition 7.4 Legacy K correction (LK_t)

Introduction

- 7.4.1 The purpose of this condition is to calculate the term LK_t (the legacy correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.4.2 The effect of this condition is to close out the RII0-ET1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the legacy correction term (LK_t)

- 7.4.3 For the Regulatory Year commencing on 1 April 2021, the value of LK is derived in accordance with the following formula:

$$LK_t = -K_t$$

where:

K_t has the value of K as determined in accordance with Part E of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

- 7.4.4 The value of LK_t for Regulatory Years commencing on or after 1 April 2022 is zero.

Special Condition 7.5 Legacy TRU Term ($LTRU_t$)

Introduction

- 7.5.1 The purpose of this condition is to calculate the term $LTRU_t$ (the legacy TRU term). This contributes to the calculation of the legacy adjustments term in

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Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

- 7.5.2 The effect of this condition is to close out the RIIO-ET1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects TRU adjustments relating to inflation forecasts used in the Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

Part A: Formula for calculating the legacy TRU term ($LTRU_t$)

- 7.5.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2022, the value of $LTRU_t$ is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

where

TRU_t is equivalent to TRU_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021; and

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

- 7.5.4 For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of $LTRU_t$ is derived in accordance with the following formula:

$$LTRU_t = \left[\frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot REV_{t-2} \cdot \frac{PI_t}{PI_{2009/10}}$$

where:

$RPIA_t$ has the value given to it by Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021;

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

REV_{t-2} has the value of REV_{t-2} as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021. For this calculation the component PU (Opening Base Revenue Allowance) is zero.

$LPVF_t$ has the value derived in accordance with paragraph 7.5.5

PI_t has the value given to it by Part F of Special Condition 2.1; and

$PI_{2009/10}$ has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2009.

7.5.5 The value of $LPVF_t$ is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

where:

$WACC_t$ means vanilla weighted average cost of capital, set out in accordance with the ET2 Price Control Financial Handbook.

7.5.6 The value of $LTRU_t$ for Regulatory Years commencing on or after 1 April 2025 is zero.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output ($LSSO_t$)

Introduction

- 7.6.1 The purpose of this condition is to calculate the term $LSSO_t$ (the RIIO-ET1 stakeholder satisfaction output close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.6.2 The effect of this condition is to close out the RIIO-ET1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.6.3 This condition also:
- (a) sets out the process the Authority will follow when amending the Stakeholder Engagement Reward Guidance;
 - (b) requires the licensee to maintain Key Performance Indicators until 1 April 2022; and
 - (c) requires the licensee to maintain an External Assurance Methodology and terms of reference until 1 April 2022.

Part A: Formula for calculating the RIIO-ET1 stakeholder satisfaction output close out term ($LSSO_t$)

- 7.6.4 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of $LSSO_t$ is equal to the value of SSO_t calculated in accordance with Part A of Special Condition 3D (Stakeholder Satisfaction Output) of the RIIO-ET1 licence as in force on 31 March 2021.

- 7.6.5 For Regulatory Years commencing on or after 1 April 2023, the value of $LSSO_t$ is zero.

Part B: Amendments to the Stakeholder Engagement Reward Guidance

- 7.6.6 The Authority will amend the Stakeholder Engagement Reward Guidance by direction.
- 7.6.7 Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Stakeholder Engagement Reward Guidance;
 - (b) the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;
 - (c) the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and
 - (d) a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.

Part C: Key Performance Indicators

- 7.6.8 The licensee must have in place Key Performance Indicators approved by the Authority.
- 7.6.9 The licensee may make revisions to its Key Performance Indicators that it considers necessary to ensure the Key Performance Indicators continue to provide an objective measure of the service provided, until and including 31 March 2022.
- 7.6.10 Before revising the Key Performance Indicators the licensee must submit to the Authority a report setting out:
- (a) the proposed revisions to its Key Performance Indicators;
 - (b) details of the consultation undertaken with stakeholders on the proposed revisions;
 - (c) any representations made to the licensee in respect of the Key Performance Indicators or the proposed revisions;
 - (d) how the proposed revisions provide a better measure of the service provided, including an explanation of the additions or removals proposed and how these improve the Key Performance Indicators; and
 - (e) a timetable for implementation of the proposed revisions.
- 7.6.11 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 which it considers should be made with a date by which the licensee is required to submit those revisions.

Part D: External Assurance Methodology and terms of reference

- 7.6.12 The licensee must have in place an External Assurance Methodology and terms of reference approved by the Authority.
- 7.6.13 The licensee may make revisions to its External Assurance Methodology and terms of reference to ensure that they provide an objective measure of the inclusion of stakeholder views, until and including 31 March 2022.
- 7.6.14 Before revising the External Assurance Methodology and terms of reference the licensee must submit to the Authority a report setting out:
 - (a) the proposed revisions to the External Assurance Methodology and terms of reference;
 - (b) the details of consultation undertaken with stakeholders on the proposed revisions;
 - (c) any representations made to the licensee in respect of the External Assurance Methodology and terms of reference or the proposed revisions;
 - (d) how the proposed revisions provide a better assessment of the inclusion of stakeholder views, including an explanation of the revisions proposed and how these improve the assessment of stakeholder views; and
 - (e) a timetable for the implementation of the proposed revisions.
- 7.6.15 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 which it considers should be made with a date by which the licensee is required to submit those revisions.

Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDRT)

Introduction

- 7.7.1 The purpose of this condition is to calculate the term LEDRT (the Environmental Discretionary Reward Scheme close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).

- 7.7.2 The effect of the condition is to close out the RII0-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance under the scheme in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.7.3 This condition also sets out the process the Authority will follow when amending the Environmental Discretionary Reward Scheme Guidance.

Part A: Formula for calculating the Environmental Discretionary Reward Scheme close out term (LEDRT)

- 7.7.4 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LEDRT is calculated in accordance with Part B of Special Condition 3F (Adjustment in Respect of the Environmental Discretionary Reward Scheme) of this licence as in force on 31 March 2021.
- 7.7.5 For Regulatory Years commencing on or after 1 April 2023, the value of LEDRT is zero.

Part B: Amendments to the Environmental Discretionary Reward Scheme Guidance

- 7.7.6 The Authority will amend the Environmental Discretionary Reward Scheme Guidance by direction.
- 7.7.7 Before amending the Environmental Discretionary Reward Scheme Guidance by direction, the Authority will publish on the Authority's website:
- (a) the text of the amended Environmental Discretionary Reward Scheme Guidance;
 - (b) the date on which the Authority intends the amended Environmental Discretionary Reward Scheme Guidance to come into effect;
 - (c) the reasons for the amendments to the Environmental Discretionary Reward Scheme Guidance; and
 - (d) a period during which representations may be made on the amendments to the Environmental Discretionary Reward Scheme Guidance, which will not be less than 28 days.

Special Condition 7.8 Close out of RII0-ET1 incentive in respect of sulphur hexafluoride (SF6) gas emissions incentive (LSFI_t)

Introduction

- 7.8.1 The purpose of this condition is to calculate the term LSFI_t (the RII0-ET1 sulphur hexafluoride incentive close-out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).

- 7.8.2 The effect of this condition is to close out the RIIO-ET1 incentive in respect of sulphur hexafluoride gas emissions, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 sulphur hexafluoride incentive close-out term ($LSFI_t$)

- 7.8.3 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of $LSFI_t$ is equal to the value of SFI_t calculated in accordance with Part A of Special Condition 3E (Incentive in Respect of Sulphur Hexafluoride (SF_6) Gas Emissions) of this licence as in force on 31 March 2021.
- 7.8.4 For the Regulatory Years commencing on or after 1 April 2023, the value of $LSFI_t$ is zero.

Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI_t)

Introduction

- 7.9.1 The purpose of this condition is to calculate the LRI_t term (the RIIO-ET1 reliability incentive close-out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.9.2 The effect of this condition is to close out the RIIO-ET1 reliability incentive in respect of energy not supplied, such that revenue in the Regulatory Years commencing on 1 April 2021 and on 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 reliability incentive close-out term (LRI_t)

- 7.9.3 For the Regulatory Years commencing 1 April 2021 and 1 April 2022, the value of LRI_t is equal to the value of RI_t calculated in accordance with Part A of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) as in force on 31 March 2021.
- 7.9.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LRI is zero.

Special Condition 7.10 Close out of RIIO-1 Network Outputs (NOCO_t)

Introduction

- 7.10.1 The purpose of this condition is to set out the process for deciding the term NOCO_t (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.10.2 The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

Part A: RIIO-1 Network Outputs information to be provided by the licensee

- 7.10.3 By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- (a) any RIIO-1 Network Output in accordance with the relevant specifications; and
 - (b) any RIIO-1 Materially Equivalent Outputs.
- 7.10.4 By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- (a) any RIIO-1 Justified Material Over-delivery; or
 - (b) any RIIO-1 Justified Material Under-delivery.

Part B: Process for modifying the NOMs Incentive Methodology

- 7.10.5 The Authority will modify the NOMs Incentive Methodology by direction.
- 7.10.6 Before making a direction under paragraph 7.10.5, 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 on the proposed direction may be made, which will not be less than 28 days.

Part C: Process for directing the RIIO-1 Network Outputs close out term (NOCO_t)

- 7.10.7 The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.

- 7.10.8 Before directing the value of $NOCO_t$, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 56 days.

Appendix 1

Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

Incentives	Justified	Unjustified
Over-delivery	Cost of over-delivery will be included in the licensee's revenue. The financing cost incurred by the licensee in advancing investment will be reimbursed. Reward of 2.5 per cent of the additional costs associated with the material over-delivery.	Cost of over-delivery will be included in the licensee's revenue. The licensee will incur the financing cost of earlier investment.
Under-delivery	Cost of under-delivery will be excluded from the licensee's revenue. The licensee will benefit from the financing cost of delayed investment.	Cost of under-delivery will be excluded from the licensee's revenue. The benefit arising to the licensee from the financing cost of delayed investment will be clawed back. Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery.

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.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
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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; 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 and holders of Distribution Licences and the ISOP;
 - (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 pay the licensee a Successful Delivery Reward, in accordance with the provisions of the NIC Governance Document.

Special Condition 7.12 Legacy net RAV additions ($LRAV_t$)

Introduction

- 7.12.1 This condition explains the process the Authority will follow when directing values for the term $LRAV_t$ (the legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term DPN_t (the depreciation term as calculated by the ET2 Price Control Financial Model), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 7.12.2 The effect is to reflect the close out of the RIIO-ET1 Price Control Financial Model, in respect of legacy net RAV additions.

Part A: Authority assessment and direction

- 7.12.3 The Authority will direct revisions to $LRAV_t$, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the ET2 Price Control Financial Handbook.
- 7.12.4 Before making a direction under paragraph 7.12.3 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.

Chapter 8: Governance

Special Condition 8.1 Governance of the ET2 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ET2 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ET2 Price Control Financial Instruments;

Part A: The ET2 Price Control Financial Instruments

8.1.2 Each of the following ET2 Price Control Financial Instruments forms part of this condition:

- (a) the ET2 Price Control Financial Handbook; and
- (b) the ET2 Price Control Financial Model.

Part B: Modification of the ET2 Price Control Financial Instruments

8.1.3 The Authority may direct modifications to the ET2 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- (a) it becomes aware of a modification that will improve the functionality or clarity of the ET2 Price Control Financial Instruments; and
- (b) the modification will have no impact on the licensee's Allowed Revenue

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue. This is without prejudice to the licensee's right to make representations to the Authority that a particular modification will have an impact on the licensee's Allowed Revenue.

8.1.5 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as the addition or removal of PCFM Variable Values; and

- (e) correction of manifest errors; such as discrepancies between the ET2 Price Control Financial Instruments and between the ET2 Price Control Financial Instruments and the other special conditions of this licence.

Part C: Circumstances in which a modification may be made

8.1.6 Before making a direction under paragraph 8.1.3, the Authority will:

- (a) consider any views expressed and representations made by the ET2 Price Control Financial Model Working Group in relation to modifications of the type set out in paragraphs 8.1.5(a) to (e); and
- (b) publish on the Authority's Website:
 - i. the text of the proposed direction;
 - ii. the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5 ; and
 - iii. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

8.1.7 A direction under paragraph 8.1.3 will set out:

- (a) the modifications to the ET2 Price Control Finance Instruments; and
- (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part D: Availability and updating of ET2 Price Control Financial Instruments

8.1.8 This Part has effect in relation to the publication and availability of the ET2 Price Control Financial Handbook, and the ET2 Price Control Financial Model.

8.1.9 The Authority will ensure that any modifications of the ET2 Price Control Financial Instruments, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Instruments maintained on the Authority's Website.

8.1.10 Without limiting the general effect of paragraph 8.1.9, the Authority will, by no later than 30 November prior to each Regulatory Year:

- (a) publish on the Authority's Website, the version of the ET2 Price Control Financial Model that will be used to calculate the value of the terms $ADJR_t$ and AR_t in accordance with the calculation set out in Part C of Special Condition 2.1 (Revenue restriction), ahead of each Annual Iteration Process; and,
- (b) publish on the Authority's Website, the version of the ET2 Price Control Financial Model used to calculate and publish the value of the term AR_t in accordance with the calculation set out in Part C of Special Condition 2.1 (Revenue restriction), following each Annual Iteration Process, by no later than 31 January prior to each Regulatory Year.

- 8.1.11 The first Regulatory Year in which the Authority will publish a version of the ET2 Price Control Financial Model on the Authority's Website for the purposes of paragraph 8.1.11 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.

Special Condition 8.2 Annual Iteration Process for the ET2 Price Control Financial Model

Introduction

- 8.2.1 The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the ET2 Price Control Financial Model, in order to calculate and publish the value of the terms $ADJR_t$ and AR_t in accordance with Special Condition 2.1 (Revenue restriction).
- 8.2.2 This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

Part A: Steps comprising the Annual Iteration Process

- 8.2.3 The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.
- 8.2.4 Step 1: The licensee must, by 30 September prior to each Regulatory Year:
- (a) use the version of the ET2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.10a to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;
 - (b) run the macro on the "User Interface" sheet of the ET2 Price Control Financial Model to calculate the value of the term $ADJR_t$ and AR_t ;
 - (c) save the ET2 Price Control Financial Model; and
 - (d) submit the ET2 Price Control Financial Model to the Authority.
- 8.2.5 Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:
- (a) review the ET2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
 - (b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.
- 8.2.6 Step 3: The Authority will run the macro on the "UserInterface" sheet of the ET2 Price Control Financial Model to calculate the value of the term $ADJR_t$ and AR_t .
- 8.2.7 Step 4: The Authority will publish the value of the term $ADJR_t$ and AR_t on the Authority's Website in accordance with Part B.

8.2.8 In relation to Step 1 in paragraph 8.2.4:

- (a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the ET2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
- (b) where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

Part B: Publication of the value of the terms $ADJR_t$ and AR_t

8.2.9 The value of the terms $ADJR_t$ and AR_t will be published by the Authority no later than 31 January prior to each Regulatory Year.

8.2.10 Before publishing the value of the terms $ADJR_t$ and AR_t , the Authority will:

- (a) send to the licensee:
- (b) a notice stating the value of the terms $ADJR_t$ and AR_t that it proposes to publish; and
- (c) a copy of the ET2 Price Control Financial Model, which will contain the data used to calculate the value proposed for the terms $ADJR_t$ and AR_t ; and
- (d) specify a period during which representations may be made on the value of the terms $ADJR_t$ and AR_t , which will not be less than 14 days.

Part C: What if the Annual Iteration Process is not completed by 31 January?

8.2.11 If the Authority does not publish a value for the terms $ADJR_t$ and AR_t by 31 January prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.12 and 8.2.13 will apply.

8.2.12 The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 31 January by publishing a value for the terms $ADJR_t$ and AR_t .

8.2.13 In the intervening period (Between the 31 January and the date on which the value of the terms AR_t is published under paragraph 8.2.12), the value of the terms $ADJR_t$ and AR_t will be held to be equal to a value ascertained by:

- (a) taking a copy of the ET2 Price Control Financial Model in its state following the last completed Annual Iteration Process which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.5 of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process);
- (b) using the selection facilities on the “UserInterface” sheet contained in that copy of the ET2 Price Control Financial Model to select:

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- (c) the name of the licensee; and
- (d) the Regulatory Year equating to the Regulatory Year t ;
- (e) pressing the “Run for One” macro button on the “UserInterface” sheet; and
- (f) recording the value of the terms $ADJR_t$ and AR_t for the licensee that is shown as an output value of the “SavedResults” sheet.

Part D: The final year of the ET2 Annual Iteration Process and other clarifications

- 8.2.14 The last Regulatory Year in which there will be an Annual Iteration Process for the ET2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms $ADJR_t$ and AR_t for Regulatory Year 2025/26.
- 8.2.15 For the avoidance of doubt, neither:
 - (a) an Annual Iteration Process for the ET2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor
 - (b) a change to the Regulatory Year included in the name of and text within the ET2 Price Control Financial Model,
 will constitute a modification of the ET2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1.
- 8.2.16 Where any PCFM Variable Values are revised for years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the value of the terms $ADJR_t$ and AR_t for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the term $ADJR_t$.

Part E: The PCFM Guidance

- 8.2.17 The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.
- 8.2.18 The Authority will issue and amend the PCFM Guidance by direction.
- 8.2.19 The Authority will publish the PCFM Guidance on the Authority's Website by the PCFM functional change cut-off date set out in the ET2 Price Control Financial Handbook.
- 8.2.20 The PCFM Guidance will make provision about:
 - (a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;
 - (b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and
 - (c) any requirements for supporting information, documentation or commentary that are to be submitted.

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- 8.2.21 Before issuing the PCFM Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed PCFM Guidance;
 - (b) the date on which the Authority intends the PCFM Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.
- 8.2.22 Before amending the PCFM Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed amended PCFM Guidance;
 - (b) the date on which the Authority intends the amended PCFM Guidance to come into effect;
 - (c) the reasons for the amendments to the PCFM Guidance; and
 - (d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.

Chapter 9: General Obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process the Authority will follow in issuing and amending the Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.

Part B: Environmental Reporting Guidance

- 9.1.7 The Authority will issue and amend Environmental Reporting Guidance by direction.
- 9.1.8 The Authority will publish Environmental Reporting Guidance on the Authority's Website.
- 9.1.9 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
 - (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
 - (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and
 - (c) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.

- 9.1.10 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.
- 9.1.11 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months or the commencement of the next Regulatory Year, whichever is later;
 - (c) the reasons for the amendments to the Environmental Reporting Guidance;
 - (d) how the proposed reporting requirements provide an appropriate balance between the costs of reporting and benefit of the information created; and
 - (e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

- 9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.
- 9.2.2 It also sets out the process for modifying the NARM Methodology.

Part A: Requirement to have a NARM Methodology

- 9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.
- 9.2.4 The NOMs Methodology in effect on 31 March 2021 is deemed to be the NARM Methodology in effect from 1 April 2021 until superseded.

Part B: The NARM Objectives

- 9.2.5 The NARM Objectives are:
- (a) to provide transparent, logical links between:
 - i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
 - ii. the data that the licensee inputs into its Asset Management Systems;

- iii. the licensee's asset management decisions; and
 - iv. where relevant, the licensee's whole system investment decisions;
- (b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;
- (c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
 - i. each NARM Asset Category;
 - ii. individual NARM Assets within each NARM Asset Category; and
 - iii. the licensee's Transmission System;
- (d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- (e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
 - i. the licensee's investment plans for managing and renewing its NARM Assets; and
 - ii. the licensee's outturn delivery of investment options;
- (f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (g) to enable the comparative analysis of Monetised Risk between:
 - i. different NARM Asset Categories and between individual NARM Assets on the licensee's Transmission System;
 - ii. geographic areas of, and NARM Assets within, the licensee's Transmission System;
 - iii. the licensee's Transmission System and other networks within the same sector;
 - iv. the licensee's Transmission System and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
 - v. the Transmission Systems and Distribution Systems within Great Britain; and
- (h) to enable the communication to the Authority and other interested parties of relevant information about the licensee's Transmission System in an accessible and transparent manner.

Part C: Modification of the NARM Methodology

- 9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.

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- 9.2.7 Where the licensee has identified scope for modifications that better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.8 Where the licensee proposes a modification to the NARM Methodology, it must:
- (a) consult other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification;
 - (b) submit to the Authority a report containing:
 - i. a statement explaining the proposed modification to the NARM Methodology; and
 - ii. an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
 - (c) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
 - (d) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
 - (e) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) above and not withdrawn;
 - (f) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
 - (g) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
 - (h) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
 - (i) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.
- 9.2.9 The Authority will by direction:
- (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments; or
 - (c) reject the proposed modification.

- 9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).
- 9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.
- 9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons why it proposes to issue the direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.3 Price Control Deliverable assessment principles and reporting requirements

Introduction

- 9.3.1 The purpose of this condition is to set out the assessment principles the Authority will apply in deciding whether to make a direction where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction.
- 9.3.2 This condition requires the licensee to report to the Authority on the delivery of its Evaluative PCDs, and provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

Part A: Evaluative PCD assessment principles

- 9.3.3 In deciding whether to make a direction to adjust allowances where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction, the Authority will apply the following assessment principles:
- (a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance;
 - (b) where an output is Not Delivered, the Authority may direct a reduction to the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output, where the licensee demonstrates that such costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;

- (c) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;
- (d) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and:
 - i. the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation; and
 - ii. the licensee provides a justified estimate of the proportion of the output or Consumer Outcome associated with the work delivered,

the Authority may direct an adjustment to the associated allowances only in accordance with the following formula:

$$\text{Adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

- (e) where none of the circumstances described in sub-paragraphs (b) to (d) applies, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:
 - i. have due regard to the particular characteristics of the output;
 - ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to Fully Deliver the output; and
 - iii. establish efficient costs using the following methods:
 - (AA) where these are available, using benchmarking against historical cost data; or
 - (BB) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;
- (f) the Authority will not direct an increase to allowances for an Evaluative PCD that has not been Fully Delivered;
- (g) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and
- (h) the split between fast money and the RAV for any adjustments will be as set out in the ET2 Price Control Financial Model.

Part B: Reporting Requirements

- 9.3.4 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each

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Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.

- 9.3.5 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.3.6 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report demonstrates that the output has been Fully Delivered.
- 9.3.7 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.3.8 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Part A in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

Part C: PCD Reporting Requirements and Methodology Document

- 9.3.9 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part B.
- 9.3.10 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.3.11 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.3.12 The PCD Reporting Requirements and Methodology Document will set out:
 - (a) how the licensee must prepare the reports required by Part B; and
 - (b) further guidance about, and worked examples of, the methodology the Authority will use when deciding:
 - i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - ii. the value to direct.
- 9.3.13 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
 - (c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

- 9.3.14 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
 - (c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
 - (d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

- 9.4.1 This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.4.3 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

- 9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
- 9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
- 9.4.6 The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:
- (a) the Re-openers to which the document applies;
 - (b) the level of detail required in the application;
 - (c) any requirement to publish the application;
 - (d) when it is appropriate to make redactions in published applications; and

- (e) any requirement for assurance.
- 9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.
- 9.4.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
 - (d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

Special Condition 9.5 Digitalisation

Introduction

- 9.5.1 The purpose of this condition is to set out the licensee's obligations to:
- (a) have a Digitalisation Strategy;
 - (b) have a Digitalisation Action Plan;
 - (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
 - (d) comply with the DSAP Guidance; and
 - (e) comply with Data Best Practice Guidance.
- 9.5.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

- 9.5.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.

- 9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy at intervals specified in the DSAP Guidance.
- 9.5.5 The licensee must:
- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

- 9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.
- 9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at intervals specified in the DSAP Guidance.
- 9.5.8 The licensee must:
- (a) publish its Digitalisation Action Plan, and each update to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance.

- 9.5.9 The licensee must comply with the DSAP Guidance when:
- (a) preparing and updating its Digitalisation Strategy; and
 - (b) preparing and updating its Digitalisation Action Plan.
- 9.5.10 The Authority will issue and amend the DSAP Guidance by direction.
- 9.5.11 The Authority will publish the DSAP Guidance on the Authority's Website.
- 9.5.12 The DSAP Guidance will make provision about:
- (a) how the licensee should work towards digitalisation;
 - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
 - (c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:

- (d) the structure, content and level of detail of each;
- (e) the types of activities that should be covered in each;
- (f) any required information associated with those activities; and
- (g) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

- 9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.
- 9.5.15 The Authority will publish Data Best Practice Guidance on the Authority's Website.
- 9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

- 9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed guidance;
 - (b) the date on which the Authority intends the guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.
- 9.5.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended guidance;
 - (b) the date on which the Authority intends the amended guidance to come into effect;
 - (c) the reasons for the amendments to the guidance; and
 - (d) a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

Special Condition 9.6 Disapplication of Relevant Special Conditions

Introduction

- 9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant Special Conditions (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

- 9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.
- 9.6.3 A Disapplication Request must:
- (a) specify to which of the Relevant Special Conditions (or any part or parts of them) the request relates;
 - (b) provide a full statement of the licensee's reasons for making the request;
 - (c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
 - (d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).
- 9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.
- 9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:
- (a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis.
- 9.6.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

- 9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.
- 9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee's right to terminate under a Disapplication Request

- 9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:
- (a) in the circumstance described in Part D; or
 - (b) in the circumstance described in Part E.
- 9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

- 9.6.11 The circumstance referred to in paragraph 9.6.9(a) is that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Act to modify:
- (a) the Relevant Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
 - (b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part E: Termination after involvement of the Competition and Markets Authority

- 9.6.12 The circumstance referred to in paragraph 9.6.9(b) is that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:
- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
 - (b) the Competition and Markets Authority, acting under section 11F of the Act, has, in respect of the provision to which the Disapplication Notice relates:
 - (c) quashed the Authority's decision, and
 - (d) neither remitted the matter back to the Authority under section 11F(2)(b) of the Act nor substituted its own decision for that of the Authority's under section 11F(2)(c) of the Act; and
 - (e) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

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.
 - (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 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 Activity.

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 9.8 Tax Reconciliation assurance statement

Introduction

- 9.8.1 This condition requires the licensee to send to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

Part A: Assurance Statement

- 9.8.2 The licensee must by 30 September of each Regulatory Year starting on or after 01 April 2023, send to the Authority an assurance statement, relating to the Regulatory Year t-2 that:
 - (a) has been approved by resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to the resolution in sub-paragraph (a); and,
 - (c) is set out in the form prescribed in paragraph 9.8.3 or where paragraph 9.8.4 applies in the form prescribed in paragraph 9.8.5.
- 9.8.3 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ('the licensee') hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:
 - (a) the values reported in the Tax Reconciliation template have not resulted in a material, unexplained variance in the reconciliation of the licensee's

Actual Corporation Tax Liability as shown in the licensee's Company Tax Return (CT600);

- (b) the Tax Reconciliation will be submitted to the Authority along with a copy of:
 - i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs;
 - ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
 - iii. the licensee's published Tax Strategy;
 - (c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the RIIO-2 Regulatory Financial Performance Reporting RIGS;
 - (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
 - (e) reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial, in aggregate.
- 9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ET2 Price Control Financial Handbook, the prescribed form for the assurance statement is set out in paragraph 9.8.5.
- 9.8.5 Where this paragraph applies, the prescribed form of the assurance statement is as follows:
- 9.8.6 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ('the licensee') hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:
- (a) the values reported in the Tax Reconciliation template have resulted in a material, unexplained variance in the reconciliation of the licensee's adjusted Actual Corporation Tax Liability as shown in the Company Tax Return (CT600) to the adjusted Calculated Tax Allowance;
 - (b) the Tax Reconciliation has been submitted to the Authority along with a copy of:
 - i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs;
 - ii. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)i; and
 - iii. the licensee's published Tax Strategy;
 - (c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the RIIO-2 Regulatory Financial Performance Reporting RIGS;

- (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary, however there remain unexplained differences, which are considered material; and
- (e) a notification has been given in writing to the Authority under Chapter 6 of the ET2 Price Control Financial Handbook."

Special Condition 9.9 Activities Restrictions

Introduction

- 9.9.1 The purpose of this condition is to set out, in accordance with section 7(2A)(a) of the Act, activity restrictions on the licensee.

Part A: Activity Restrictions

- 9.9.2 Subject to the provisions of paragraph 9.9.3 (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.
- 9.9.3 The licensee must not:
- (a) co-ordinate or direct the flow of electricity onto or over the whole or any part of the National Electricity Transmission System except:
 - i. where permitted to do so under the STC,
 - ii. with the written approval of the Authority, or
 - iii. where required to do so by any other licence condition; and
 - iv. outside its Transmission Area, make available assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying or affecting the flow of electricity.

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 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.

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- 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 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, 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 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 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 ISOP

Introduction

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

Part A: Statement of the TSP_t value

- 9.11.2 On or before the 5th business day in October and 7 January of the Regulatory Year $t-1$, the licensee must notify the ISOP 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 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 will be significantly different to the estimates previously notified to the ISOP, the licensee must notify the ISOP 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 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 Charges.

Special Condition 9.12 Basis of Transmission Owner Charges

Introduction

- 9.12.1 The purpose of this condition is to require the licensee to prepare and have in place a Statement of Transmission Owner Charges.

Part A: Statement of Transmission Owner Charges

- 9.12.2 The licensee must have in place a Statement of Transmission Owner Charges approved by the Authority.
- 9.12.3 The Statement of Transmission Owner Charges must include:
- (a) a schedule listing;
 - (b) items of significant cost required for connection (at entry or exit points) to the licensee's Transmission System,
 - (c) items for which site specific charges may be made or levied, and
 - (d) indicative charges or, where not practicable, an explanation of the methods by which and the principles in accordance with which the charges will be calculated;
 - (e) the methods by which and the principles in accordance with which:
 - (f) site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;
 - (g) any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's Transmission System; and
 - (h) any charges will be made for disconnection from the licensee's Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and
 - (i) such other matters as are specified in directions issued by the Authority from time to time for the purpose of this condition.
- 9.12.4 The licensee must set site specific charges for those items referred to in paragraph 9.12.3 at a level that will enable the licensee to recover:
- (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee's Transmission System or the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and
 - (b) a reasonable rate of return on the capital represented by such costs.

Part B: Revisions to the Statement of Transmission Owner Charges

- 9.12.5 The licensee must at least once in every Regulatory Year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.

- 9.12.6 The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.
- 9.12.7 Before revising the Statement of Transmission Owner Charges, under paragraph 9.12.5, the licensee must provide a copy of the proposed revisions to the Authority.
- 9.12.8 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.
- 9.12.9 The licensee must give or send a copy of the Statement of Transmission Owner Charges, including any revision in such form and manner as the Authority may direct, to any person who requests a copy of such statement or statements.
- 9.12.10 The licensee may make a charge for any statement given or sent pursuant to paragraph 9.12.9 of an amount reflecting the licensee's reasonable costs of providing the statement, which must not exceed the maximum amount specified by the Authority by direction for the purposes of this condition.

Special Condition 9.13 Allowances in respect of a Security Period

Introduction

- 9.13.1 The purpose of this condition is to set out the process for the licensee to recover Allowed Security Costs in the event of a Security Period.

Part A: Process for the recovery of Security Costs

- 9.13.2 At any time during a Security Period, the licensee may give notice in writing to the Authority suspending, with effect from the date the notice is received by the Authority, application of the Relevant Special Conditions specified in the notice, for the remaining duration of the Security Period.
- 9.13.3 At any time during a Security Period, the Authority may by direction, enable the licensee to recover by means of an appropriate equitable increase on all of the charges made in the course of the licensee's Transmission Business an amount estimated as being equal to the licensee's Allowed Security Costs during the Security Period.
- 9.13.4 The direction will set out for the remaining duration of the Security Period any:
- (a) Relevant Special Conditions which are suspended or modified; or
 - (b) new special conditions.
- 9.13.5 Subject to paragraphs 9.13.6 and 9.13.8, the licensee may in any Regulatory Year recover an aggregate amount equal to its Allowed Security Costs in that

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year or (in so far as not previously recovered) in any previous year, by means of appropriate equitable increases on all of the charges made by the licensee in the course of the Transmission Business.

- 9.13.6 Paragraph 9.13.5 does not apply in so far as such Allowed Security Costs were:
- (a) otherwise recovered by the licensee; or
 - (b) taken into account by the Authority in setting the special conditions by means of a direction issued under paragraph 9.13.3 of this condition.
- 9.13.7 Following the end of each Regulatory Year the licensee must provide the Authority with details in respect of that Regulatory Year of:
- (a) the licensee's estimate of Allowed Security Costs;
 - (b) the aggregate amounts charged under paragraph 9.13.5 of this condition on account of the licensees Allowed Security Costs; and
 - (c) the basis and calculations underlying the increases in charges made by the licensee in the course of its Transmission Business.
- 9.13.8 Where the Authority is satisfied that the licensee has recovered amounts in excess of the Allowed Security Costs, the Authority may direct the licensee to take such steps as may be specified to reimburse its customers for excess amounts charged.
- 9.13.9 No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) will be taken into account for the purpose of applying the provisions of Special Condition 2.1 (Revenue restriction).

Special Condition 9.14 Restriction on the use of certain information

Introduction

- 9.14.1 This condition sets out restrictions on the use of Confidential Information.

Part A: Requirements for treatment of Confidential Information

- 9.14.2 The licensee (including its Affiliates and Related Undertakings) must not disclose or authorise access to Confidential Information except as provided for in Part B.

Part B: Circumstances under which the licensee can disclose Confidential Information

- 9.14.3 The licensee (including its Affiliates and Related Undertakings) may disclose or authorise access to Confidential Information insofar as is necessary or appropriate in the circumstances where:
- (a) paragraphs 9.16.9 to 9.16.12 of Special Condition 9.16 (Independence of and appointment of managing director of the Transmission Business) apply;

- (b) the information is only used for the purpose of the Transmission Business or any External Transmission Activities of the licensees, and effective arrangements are in place at all times for ensuring no further disclosure occurs;
- (c) disclosure of the information is required or permitted by:
 - i. any requirement of a Competent Authority;
 - ii. the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which the licensee is required by virtue of the Act or that licence to comply;
 - iii. any court or tribunal order;
 - iv. the performance of a statutory function; or
 - v. under the rules of the Electricity Arbitration Association or another arbitral body;
- (d) the licensee has been notified by the person who provided the information or by all persons to whom it relates that the information need not be treated as confidential;
- (e) the licensee makes public information which;
 - i. is not provided by another person; or
 - ii. does not relate to another person.

Special Condition 9.15 Appointment of a Compliance Officer

Introduction

9.15.1 The purpose of this condition is to set out requirements on the licensee to:

- (a) prepare a Compliance Statement;
- (b) appoint a Compliance Officer; and
- (c) prepare a Compliance Report.

Part A: Compliance Statement

9.15.2 The licensee must prepare a Compliance Statement that:

- (a) is in a form approved by the Authority; and
- (b) sets out the practices, procedures and systems which the licensee has adopted (or intends to adopt) to ensure its compliance with the Relevant Duties.

9.15.3 The licensee:

- (a) must review the Compliance Statement at least once in each Regulatory Year to ensure that it continues to be accurate; and
- (b) may, with the approval of the Authority, modify the Compliance Statement.

- 9.15.4 The licensee must send a copy of the Compliance Statement, and of each modification under paragraph 9.15.3(b), to the Authority.

Part B: Appointment of the Compliance Officer

- 9.15.5 The licensee must appoint a Compliance Officer, who must be approved by the Authority before appointment.
- 9.15.6 The licensee must arrange for the Compliance Officer to perform such functions as the licensee considers appropriate for the purposes of compliance with the Relevant Duties, including the functions set out at paragraph 9.15.9.
- 9.15.7 The licensee must, provide the Compliance Officer with the resources reasonably required for the fulfilment of the functions, including:
- (a) staff, premises, equipment, facilities and other resources; and
 - (b) access to the licensee's premises, systems, information and documentation.
- 9.15.8 The licensee must make available to the Compliance Officer a copy of any complaint or representation received in relation to any of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement.
- 9.15.9 The functions assigned to the Compliance Officer must include:
- (a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the Relevant Duties;
 - (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement;
 - (c) investigating any complaint or representation made available in accordance with paragraph 9.15.8;
 - (d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
 - (e) providing relevant advice and information to the licensee for the purpose of ensuring its effective implementation of:
 - (f) the practices, procedures and systems adopted in accordance with the Compliance Statement; and
 - (g) any remedial action recommended in accordance with sub-paragraph (d); and
 - (h) reporting annually to the directors of the licensee - in respect of each Regulatory Year - as to their activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to them by the licensee.

Part C: Compliance Report

- 9.15.10 As soon as is reasonably practicable following each annual report of the Compliance Officer, the licensee must produce a Compliance Report:

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- (a) as to its compliance during the Regulatory Year with the Relevant Duties; and
 - (b) as to its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.
- 9.15.11 The Compliance Report produced in accordance with paragraph 9.15.10 must:
- (a) detail the activities of the Compliance Officer during the Regulatory Year;
 - (b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement; and
 - (c) set out the details of any investigations conducted by the Compliance Officer, including:
 - (d) the number, type and source of the complaints or representations on which such investigations were based;
 - (e) the outcome of such investigations; and
 - (f) any remedial action taken by the licensee following such investigations.
- 9.15.12 The licensee must submit to the Authority a copy of the Compliance Report and must provide a copy of the Compliance Report to any person on request.

Special Condition 9.16 Independence of and appointment of managing director of the Transmission Business

Introduction

- 9.16.1 The purpose of this condition is to set out requirements on the licensee to establish and maintain operational and managerial independence of the Transmission Business and any External Transmission Activities, or of any Affiliate or Related Undertaking of the licensee.
- 9.16.2 This condition also requires the licensee to appoint a Managing Director Of Transmission to be responsible for the conduct of the Transmission Business and any External Transmission Activities.

Part A: Requirements of the Managing Director Of Transmission

- 9.16.3 The licensee must at all times ensure that the Transmission Business and any External Transmission Activities are conducted with managerial and operational independence from any other business operated by the licensee, and of its Affiliates and Related Undertakings.
- 9.16.4 The licensee must appoint a Managing Director Of Transmission.
- 9.16.5 The Managing Director Of Transmission may be a director:
- (a) of the Transmission Licensee; and
 - (b) in the circumstances set out in paragraph 9.16.17 also of:

- (c) an Affiliate or Related Undertaking which holds a Distribution Licence, or
 - (d) a holding company only engaged in ownership or management of Distribution Licence or Transmission Businesses or both.
- 9.16.6 The licensee must ensure that the Managing Director Of Transmission is not engaged by the licensee in any other capacity other than as Managing Director of Transmission.
- 9.16.7 The licensee must arrange for the Managing Director Of Transmission to be provided with such resources as are necessary to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and this licence.
- 9.16.8 The Managing Director Of Transmission must be given sole discretion (subject to compliance with relevant UK employment legislation) to oversee and manage their personnel.
- 9.16.9 The licensee must direct the Managing Director Of Transmission:
- (a) to inform the directors of the licensee, in writing, if, at any time, the Managing Director Of Transmission is of the opinion that the provision of resources under paragraph 9.16.7 is not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and this licence; and
 - (b) as soon as is reasonably practicable after the end of 2021 and of each Regulatory Year, to provide the directors of the licensee with:
 - (c) a report on the provision of the resources necessary in respect of that year; and
 - (d) a statement as to the resources required by the Managing Director Of Transmission to ensure that the licensee complies with its duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.
- 9.16.10 On receipt of any information or report under paragraph 9.16.9, the licensee must, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:
- (a) give the information or report to the Authority as soon as is reasonably practicable; and
 - (b) publish any report, in such form and manner as the Authority may direct, as soon as is reasonably practicable.
- 9.16.11 Except where the Authority otherwise directs, the licensee may give instructions to the Managing Director Of Transmission as to the discharge of their responsibilities under paragraph 9.16.3 only:
- (a) where such instructions are required:

- (b) in the bona fide and reasonable opinion of the licensee to ensure compliance with the statutory, licence and contractual obligations of the licensee; or
 - (c) in the bona fide opinion of the directors, to ensure compliance with their duties; or
 - (d) to ensure compliance with paragraph 9.16.9.
- 9.16.12 The licensee must give instructions under sub-paragraph 9.16.11(a) in writing, specifying the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give instructions, and must send a copy of the instructions to the Authority.
- 9.16.13 Except as the Authority otherwise directs, the licensee must, subject to paragraph 9.16.14, ensure that:
- (a) no business of the licensee (or of any Affiliate or Related Undertaking of the licensee), other than the Transmission Business or any External Transmission Activities, may use or have access to:
 - i. premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities;
 - ii. systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;
 - iii. equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
 - iv. the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and
 - (b) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee) until the expiry of an Appropriate Time from the date on which the person ceased to be engaged by the Transmission Business.
- 9.16.14 The Authority may, upon the written request of the licensee, by direction relieve the licensee of some or all of its obligations under Special Condition 9.14 (Restriction on the use of certain information) and under paragraphs 9.16.3, 9.16.4 and 9.16.13, where:

- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
 - (b) in the case of paragraphs 2 to 4 of Special Condition 9.14, a failure to comply with any aspect of those obligations would be of a trivial nature; or
 - (c) in the case of paragraph 9.16.3 and 9.16.13, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee):
 - i. do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
 - ii. obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
 - iii. do not restrict, distort or prevent competition in the generation or supply of electricity;
 - (d) provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive 2009/72/EC as modified by the Act.
- 9.16.15 Where, subsequent to the issue of a direction pursuant to paragraph 9.16.14, the criteria set out at 9.16.14(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify its terms.
- 9.16.16 For the purposes of paragraphs 9.16.14 and 9.16.15 of this condition the Authority may, following consultation with the licensee, direct whether the criteria set out at sub-paragraphs 9.16.14 (a), (b) or (c) are or continue to be satisfied.
- 9.16.17 If the Authority is requested to issue any direction pursuant to 9.16.14 relating to the Transmission Business being managed or operated by the licensee together with any Distribution Licence then that direction may provide:
- (a) that for the purposes of this condition and of Special Condition 9.14 the Transmission Business must be taken to include any such distribution business; and
 - (b) for the Managing Director Of Transmission to take part in the management of or to be a director of any company carrying on any such distribution business.

Special Condition 9.17 Not used

Special Condition 9.18 Not used

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 (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 SIF_t term

- 9.19.4 The SIF_t 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 ISOP, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of condition F2 (Innovation funding) in the Electricity System Operator Licence.
- 9.19.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the Electricity System Operator Licence the Authority will calculate and then, by direction given to the licensee specify:
- (a) the value of the SIF_t 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 ISOP 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 ISOP; 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:

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- (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.