

**A SCHEME MADE PURSUANT TO PARAGRAPHS 1, 13 AND 17 OF
SCHEDULE 7 TO THE UTILITIES ACT 2000, IN RESPECT OF THE LICENCES
GRANTED TO SCOTTISH AND SOUTHERN ENERGY PLC AND SOUTHERN
ELECTRIC PLC UNDER SECTIONS 6(1)(a) TO (c) AND 6(2) OF THE
ELECTRICITY ACT 1989**

("SCHEME A")

AND

**A SCHEME MADE PURSUANT TO PARAGRAPHS 16 AND 17 OF SCHEDULE 7
TO THE UTILITIES ACT 2000, IN RESPECT OF LICENCES GRANTED TO SSE
ENERGY SUPPLY LIMITED UNDER SECTION 6(2) OF THE ELECTRICITY
ACT 1989**

("SCHEME B")

MADE ON 28TH SEPTEMBER 2001

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SCHEME A

Pursuant to paragraphs 1, 13 and 17 of Schedule 7 to the Utilities Act 2000 ("the 2000 Act") and having regard to the transfer schemes described in recital 8, the Secretary of State hereby makes the following scheme which shall come into operation on the determination day.

RECITALS

WHEREAS:

1. Immediately prior to the determination day, Scottish and Southern Energy plc (formerly Scottish Hydro-Electric plc) ("SSE") will hold the following licences:
 - 1.1 a licence originally granted on 28th March 1990 pursuant to section 6(1)(a) of the Electricity Act 1989 ("the Electricity Act 1989") (the "Generation Licence");
 - 1.2 a licence originally granted on 28th March 1990 pursuant to section 6(1)(b) of the Electricity Act 1989 (the "Transmission Licence");
 - 1.3 a licence originally granted on 28th March 1990 pursuant to section 6(1)(c) of the Electricity Act 1989 (the "SSE PES Licence");
 - 1.4 a licence originally granted on 28th June 1990 pursuant to section 6(2) of the Electricity Act 1989 (the "SSE Second Tier E & W Licence"); and
 - 1.5 a licence originally granted on 29th June 1990 pursuant to section 6(2) of the Electricity Act 1989 (the "SSE Second Tier Scotland Licence").
2. Immediately prior to the determination day Southern Electric plc ("Southern") will hold the following licences:
 - 2.1 a licence originally granted on 26th March 1990 pursuant to section 6(1)(c) of the Electricity Act 1989 (the "Southern PES Licence");
 - 2.2 a licence originally granted on 28th June 1990, pursuant to section 6(2) of the Electricity Act 1989 (the "Southern Second Tier E&W Licence"); and
 - 2.3 a licence originally granted on 25th March 1991 pursuant to section 6(2) of the Electricity Act 1989 (the "Southern Second Tier Scotland Licence").
3. Paragraph 1 of Schedule 7 to the 2000 Act ("Schedule 7") applies to each of SSE and Southern as the holders of licences referred to in recitals 1.3 to 1.5 and 2.1 to 2.3 above and each of those licences is an existing supply licence under section 6(1)(c) or section 6(2) (as appropriate) of the Electricity Act 1989.
4. Pursuant to Part I of Schedule 7 and subject to the approval of the Secretary of State, each of SSE and Southern has nominated its associates (as defined in paragraph 12 of Schedule 7) which will hold the distribution licences deemed to be granted pursuant to paragraph 1(2) of Schedule 7.

5. Pursuant to Part I of Schedule 7 and subject to the approval of the Secretary of State, each of SSE and Southern has nominated its associate (as defined in paragraph 12 of Schedule 7) which will hold the supply licence deemed to be granted pursuant to paragraph 1(2) of Schedule 7.
 6. Pursuant to Part I of Schedule 7 and subject to the approval of the Secretary of State, SSE has nominated its associates (as defined in paragraph 12 of Schedule 7) which will hold the transmission and generation licences deemed to be granted pursuant to paragraph 1(5) and 1(6) of Schedule 7.
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- 7.1 The persons nominated, pursuant to paragraphs 2(1)(a) (at recitals 7.1.3, 7.1.4 and 7.1.5) and 3(1)(a) (at recitals 7.1.1 and 7.1.2) of Schedule 7 are:
 - 7.1.1 SSE Generation Limited ("the Generation Licensee") being an associate (as defined in paragraph 12 of Schedule 7) of SSE to hold the Generation Licence;
 - 7.1.2 Scottish Hydro-Electric Transmission Limited (the "Transmission Licensee") being an associate (as defined in paragraph 12 of Schedule 7) of SSE to hold the Transmission Licence; and
 - 7.1.3 Southern Electric Power Distribution plc (the "English Distribution Licensee") being an associate (as defined in paragraph 12 of Schedule 7) of Southern to hold the English Distribution Licence; and
 - 7.1.4 Scottish Hydro-Electric Power Distribution Limited (the "Scottish Distribution Licensee") being an associate (as defined in paragraph 12 of Schedule 7) of SSE to hold the Scottish Distribution Licence;
 - 7.1.5 SSE Energy Supply Limited ("the Supply Licensee") being an associate (as defined in paragraph 12 of Schedule 7) of SSE and Southern to hold the Single Supply Licence.
 - 8 Each of SSE and Southern has made and submitted to the Secretary of State for his approval a transfer scheme (as defined in paragraph 2(2) of Schedule 7) for the purpose of dividing the property, rights and liabilities therein specified between:
 - 8.1 in respect of SSE, between SSE and each of the Supply Licensee and the Scottish Distribution Licensee, the Transmission Licensee and the Generation Licensee; and
 - 8.2 in respect of Southern, between Southern and each of the Supply Licensee and the English Distribution Licensee,and in each case for giving effect to other matters within the provisions of paragraph 2 of Schedule 7.
 9. The Secretary of State has approved the transfer schemes described in recital 8 above as provided for in paragraph 5 of Schedule 7 and has not notified SSE or Southern of any proposed modification or intention to propose modifications to either of such transfer schemes.

10. The purpose of this Scheme which is made by the Secretary of State pursuant to paragraphs 1, 13 and 17 of Schedule 7 is to provide for:
 - 10.1 each of the Generation Licence and the Transmission Licence to be amended so as to conform with the provisions of this Scheme to have effect on and after the determination date as, respectively, a generation licence held by the Generation Licensee and a transmission licence held by the Transmission Licensee;
 - 10.2 those parts of the SSE PES Licence which relate to the distribution of electricity to be amended so as to conform with the provisions of this Scheme to have effect on and after the determination day as a distribution licence held by the Scottish Distribution Licensee;
 - 10.3 those parts of the Southern PES Licence which relate to the distribution of electricity to be amended so as to conform with the provisions of this Scheme to have effect on and after the determination day as a distribution licence held by the English Distribution Licensee;
 - 10.4 those parts of the SSE PES Licence and the Southern PES Licence which relate to the supply of electricity together with each of the SSE Second Tier E&W Licence, the SSE Second Tier Scotland Licence, the Southern Second Tier E&W Licence and the Southern Second Tier Scotland Licence to be amended so as to conform with the provisions of this scheme to have effect on and after the determination day as a single supply licence held by the Supply Licensee.

1. INTERPRETATION

- 1.1 In this Scheme, unless the context otherwise requires, the following expressions shall bear the meanings ascribed to them below:

| | |
|--|---|
| "the Authority" | means the Gas and Electricity Markets Authority established pursuant to section 1 of the 2000 Act; |
| "Composite Licence" | means together those of the Existing Licences referred to in recitals 1.1 to 1.3 as the same have been published in a single document; |
| "determination day" | means the date on which the standard conditions of the electricity generation licences, transmission licences, distribution licences and supply licences (determined by virtue of section 33(1) of the 2000 Act) are incorporated in, respectively, each electricity generation licence, transmission licence, distribution licence and supply licence; |
| "English Distribution Licence" | has the meaning given in clause 4.2; |
| "English Distribution Licensee" | has the meaning given in recital 7.1.3; |
| "Generation Licence" | has the meaning given in recital 1.1; |
| "Existing Licences" | means the licences referred to in recitals 1 and 2; |
| "Scheme B" | means the scheme bearing that name made by the Secretary of State pursuant to paragraphs 16 and 17 of Schedule 7 in relation to SSE Energy Supply Ltd; |
| "Schedule 7" | has the meaning given in recital 3; |
| "Scottish Distribution Licence" | has the meaning given in clause 4.1; |
| "Scottish Distribution Licensee" | has the meaning given in recital 7.1.4; |
| "Single Supply Licence" | has the meaning given in clause 5.1; |
| "Southern" | means Southern Electric Plc (registered number 2366879); |
| "Southern PES Licence" | has the meaning given in recital 2.1; |
| "Southern PES Distribution Terms and Conditions" | means all the terms and conditions of the Southern PES Licence which relate to activities authorised by a distribution licence (within the meaning of the Electricity Act 1989); |
| "Southern PES Supply Terms and Conditions" | means all the terms and conditions of the Southern PES Licence which relate to activities authorised by a supply licence within the meaning of the |

Electricity Act 1989;

“Southern Second Tier E&W Licence” has the meaning given in recital 2.2;

“Southern Second Tier Scotland Licence” has the meaning given in recital 2.3;

“SSE” means Scottish and Southern Energy plc (registered number SC 117119);

“SSE PES Distribution Terms and Conditions” means all the terms and conditions of the SSE PES Licence which relate to the activities authorised by a distribution licence (within the meaning of the Electricity Act 1989);

“SSE PES Licence” has the meaning given in recital 1.3;

“SSE PES Supply Terms and Conditions” means all the terms and conditions of the SSE PES Licence which relate to activities authorised by a supply licence (within the meaning of the Electricity Act 1989);

“SSE Second Tier E&W Licence” has the meaning given in recital 1.4;

“SSE Second Tier Scotland Licence” has the meaning given in recital 1.5;

“Supply Licensee” has the meaning given in recital 7.1.5; and

“Transmission Licence” has the meaning given in recital 1.2;

1.2 Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, this Scheme shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.

1.3 Unless the context otherwise requires, words and expressions used in Part I of the Electricity Act 1989 (as in force immediately before the determination day, or as the context requires, as in force from the determination day) and the 2000 Act shall bear the same meaning in this Scheme.

2. GENERATION LICENCE TERMS

The Generation Licence shall on the determination day be amended and restated as set out in Annexe 1 hereto and shall thereafter be held by SSE Generation Limited.

3. TRANSMISSION LICENCE TERMS

The Transmission Licence shall on the determination day be amended and restated as set out in Annexe 2 hereto and shall thereafter be held by Scottish Hydro-Electric Transmission Limited.

4. DISTRIBUTION LICENCE TERMS

- 4.1 The SSE PES Distribution Terms and Conditions shall on the determination day be amended and restated as set out in Annexe 3 hereto and shall have effect on and after the determination day as if they were a distribution licence ("the Scottish Distribution Licence") granted pursuant to section 6(1)(c) of the Electricity Act 1989 and shall thereafter be held by Scottish Hydro-Electric Power Distribution Limited.
- 4.2 The Southern PES Distribution Terms and Conditions shall on the determination day be amended and restated as set out in Annexe 4 hereto and shall have effect on and after the determination day as if they were a distribution licence ("the English Distribution Licence") granted pursuant to section 6(1)(c) of the Electricity Act 1989 and shall thereafter be held by Southern Electric Power Distribution plc.

5. SUPPLY LICENCE TERMS

- 5.1 Each of
- 5.1.1 the SSE PES Supply Terms and Conditions
 - 5.1.2 the Southern PES Supply Terms and Condition
 - 5.1.3 the SSE Second Tier E&W Licence
 - 5.1.4 the SSE Second Tier Scotland Licence
 - 5.1.5 the Southern Second Tier E&W Licence; and
 - 5.1.6 the Southern Second Tier Scotland Licence

shall on the determination day be amended and restated as set out in Annexe 5 hereto and shall have effect on and after the determination day as if together, and together with the licences referred to in clause 2 of Scheme B, they were a single supply licence ("the Single Supply Licence") granted pursuant to section 6(1)(d) of the Electricity Act 1989 and shall thereafter be held by SSE Energy Supply Limited.

- 5.2 The directions issued between 13 October 1998 and 20 April 1999 attached to the licences described in clauses 5.1.3 to 5.1.6 above and relating to the progressive opening of the competitive electricity supply market to customers shall be of no further effect.

6. NEW STANDARD CONDITIONS

- 6.1 Each condition of the standard conditions determined and published by the Secretary of State under section 33(1) of the 2000 Act as standard conditions for the purposes of generation licences under section 6(1)(a) of the Electricity Act 1989 shall on the determination day be incorporated in Part II of the Generation Licence in substitution for the licence conditions set out in:
- 6.1.1 Part II of and Schedules 4 and 7 to the Composite Licence, in each case as the same relate to activities authorised by a generation licence within the meaning of the 2000 Act; and

6.1.2 Part III of the Composite Licence,

excluding those licence conditions which are saved, as amended, as Special Conditions in Part IV of the Generation Licence as set out in Annexe 1.

6.2 Each condition of the standard conditions determined and published by the Secretary of State under section 33(1) of the 2000 Act as standard conditions for the purposes of transmission licences under section 6(1)(b) of the Electricity Act 1989 shall on the determination day be incorporated in Part II of the Transmission Licence in substitution for the conditions set out in:

6.2.1 Parts II and VI of and Schedules 5, 5A and 7 to the Composite Licence, in each case as the same relate to activities authorised by a transmission licence within the meaning of the 2000 Act; and

6.2.2 Part IV of the Composite Licence,

excluding those licence conditions which are saved, as amended, as Special Conditions in Part IV of the Transmission Licence as set out in Annexe 2.

6.3 Each condition of the standard conditions determined and published by the Secretary of State under section 33(1) of the 2000 Act as standard conditions for the purposes of distribution licences under section 6(1)(c) of the Electricity Act 1989 shall on the determination day be incorporated in Part II of the Scottish Distribution Licence, in substitution for all the licence conditions in the SSE PES Distribution Terms and Conditions and the English Distribution Licence, in substitution for all the licence conditions in the Southern PES Distribution Terms and Conditions, in each case excluding those licence conditions which are saved, as amended, as Special Conditions in Part IV of the Scottish Distribution Licence and the English Distribution Licence as set out in Annexes 3 and 4.

6.4 Each condition of the standard conditions determined and published by the Secretary of State under section 33(1) of the 2000 Act as standard conditions for the purposes of supply licences under section 6(1)(d) of the Electricity Act 1989 shall on the determination day be incorporated in Part II of the Single Supply Licence in substitution for the conditions set out in:

6.4.1 Parts II, V and VI of and Schedule 6 to, the Composite Licence, in each case as the same relate to activities authorised by a supply licence within the meaning of the 2000 Act and the Southern PES Supply Terms and Conditions, and

6.4.2 Part II of each of the SSE Second Tier E&W Licence, the SSE Second Tier Scotland Licence, the Southern Second Tier E&W Licence and the Southern Second Tier Scotland Licence.

excluding those licence conditions which are saved, as amended by Special Conditions in Part IV of the Single Supply Licence as set out in Annexe 5.

7. CONTINUING EFFECT

7.1 In so far as permitted by or in pursuance of the relevant set of new standard conditions (as amended by Part III of the Single Supply Licence or as the case may be, the Scottish Distribution Licence, the English Distribution Licence, the Generation Licence or the Transmission Licence) and the special conditions of Part IV of the Single Supply Licence, or as the case may be, the Scottish Distribution Licence, the English Distribution Licence, the Generation Licence or the Transmission Licence anything done under or by virtue of the Existing Licences which is in effect immediately before the determination day shall have continuing effect as if they were done by virtue of

- (a) the Single Supply Licence,
 - (b) the Scottish Distribution Licence or English Distribution Licence as the context requires,
 - (c) the Generation Licence,
 - (d) the Transmission Licence,
 - (e) or all or a combination of the licences listed at (a) to (d) above
- according to the nature of the activities to which the instrument relates.

7.2 In so far as permitted by or in pursuance of the relevant set of new standard conditions (as amended by Part III of the Single Supply Licence or as the case may be, the Scottish Distribution Licence, the English Distribution Licence, the Generation Licence or the Transmission Licence) and the special conditions of Part IV of the Single Supply Licence, or as the case may be, the Scottish Distribution Licence, the English Distribution Licence, the Generation Licence or the Transmission Licence and without prejudice to the generality of sub-clause 7.1 above:

- (a) every statement, document or code or other document prepared pursuant to an obligation in any of the Existing Licences; and
- (b) every direction, consent, determination or other instrument, designation, approval or decision made by the Authority under the Existing Licences,

which in each case is in effect immediately before the determination day shall have continuing effect as if prepared or given pursuant to: -

- (a) the Single Supply Licence,
- (b) the Scottish Distribution Licence or English Distribution Licence as the context requires,
- (c) the Generation Licence,
- (d) the Transmission Licence,
- (e) or all or a combination of the licences listed at (a) to (d) above

according to the nature of the activities to which the instrument relates.

7.3 Any dispute arising as to the allocation of a particular thing or instrument to the Single Supply Licence, Scottish Distribution Licence, English Distribution Licence, Generation Licence, or Transmission Licence, or all or a combination of the licences pursuant to sub-clauses 7.1 or 7.2 may be referred by the Authority, the Single Supply Licensee, the Scottish Distribution

Licensee, the English Distribution Licensee, the Generation Licensee or, as the case may be, the Transmission Licensee to an independent expert appointed by the Authority.

On this the 28th day of September 2001

.....

An official of the Department of Trade and
Industry authorised to act on behalf of the
Secretary of State

SCHEME B

Pursuant to paragraph 16 and 17 of Schedule 7 to the Utilities Act 2000, the Secretary of State hereby makes the following Scheme which shall come into operation on the determination day:

RECITALS

WHEREAS:

1. Immediately prior to the determination day, SSE Energy Supply Limited (a company registered in England & Wales under number 3757502) (the "Company") holds –
 - (a) a licence originally granted on 8 December 1999 pursuant to section 6(2) of the Electricity Act 1989 relating to premises in England and Wales (the "Second Tier Licence"); and
 - (b) a licence originally granted on 8 December 1999 pursuant to section 6(2) of the Electricity Act 1989 relating to premises in Scotland (the "Second Tier (Scotland) Licence")(together "the Existing Supply Licences").
2. Paragraph 16 of Schedule 7 to the Utilities Act 2000 ("Schedule 7") applies to the Company as the holder of the licences referred to in recital 1 above and each of those licences is an existing supply licence under section 6(2) of the Electricity Act 1989.
3. The purpose of this Scheme which is made by the Secretary of State pursuant to paragraph 16 of Schedule 7 is to provide for the Second Tier Licence and the Second Tier (Scotland) Licence to be amended and as so amended to have effect on and after the determination day as an electricity supply licence treated as granted under section 6(1)(d) of the Electricity Act 1989 on the terms of this Scheme and held by the Company ("the Single Supply Licence").

1. INTERPRETATION

- 1.1 In this Scheme, unless the context otherwise requires, the following expressions shall bear the meanings ascribed to them below:

"the Authority" means the Gas and Electricity Markets Authority established pursuant to section 1 of the Utilities Act 2000;

"determination day" means the date on which the standard conditions of electricity supply licences (determined by virtue of section 33(1) of the Utilities Act 2000) are incorporated in each electricity supply licence;

"Scheme A"

means the scheme bearing that name made by the Secretary of State pursuant to paragraphs 1, 13 and 17 of Schedule 7 in relation to Scottish and Southern Energy plc.

1.2 Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, this Scheme shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.

1.3 Unless the context otherwise requires, words and expressions used in Part I of the Electricity Act 1989 (as in force immediately before the determination day, or as the context requires, as in force from the determination day) and the Utilities Act 2000 shall bear the same meaning in this Scheme.

2. AMENDMENT, RESTATEMENT AND TREATMENT

2.1 On the determination day, the terms and conditions of the Second Tier Licence and the Second Tier (Scotland) Licence shall be amended and restated as set out in Annexe 5 hereto and shall have effect on and after the determination day as if together, and together with the licences referred to in Clause 5 of Scheme A, they were a single supply licence treated pursuant to section 6(1)(d) of the Electricity Act 1989 and shall thereafter be held by the Company.

3. NEW STANDARD CONDITIONS

Each condition of the standard conditions determined and published by the Secretary of State under section 33(1) of the Utilities Act 2000 as standard conditions for the purposes of supply licences under section 6(1)(d) of the Electricity Act 1989 shall on the determination day be incorporated in Part II of the Single Supply Licence in substitution for the licence conditions in the Existing Supply Licences immediately prior to the determination day.

4. CONTINUING EFFECT

4.1 Anything done under or by virtue of each of the Existing Supply Licences which is in effect immediately before the determination day shall have continuing effect under or by virtue of the Single Supply Licence in so far as it is permitted by or in pursuance of the new standard conditions.

4.2 Without prejudice to the generality of sub-clause 4.1 above,

- (a) every statement, code or other document prepared pursuant to an obligation in each of the Existing Supply Licences; and
- (b) every direction, consent, determination or other instrument made by the Authority under the Existing Supply Licences,

which in each case is in effect immediately before the determination day, shall have continuing effect pursuant to or under the Single Supply Licence in so far as it is permitted by or in pursuance of the new standard conditions.

On this the 28th day of September 2001

.....

An official of the Department of Trade and
Industry authorised to act on behalf of the
Secretary of State

ANNEXE 1

SSE GENERATION LIMITED GENERATION LICENCE

PART I. TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(a) of the Electricity Act 1989 ("the Act"), authorises SSE Generation Limited (a company registered in England & Wales under number 2310571) ("the licensee") whose registered office is situated at Southern Electric House, Westacott-Way, Littlewick Green, Maidenhead, Berkshire SL6 3QB, to generate electricity for the purpose of giving a supply to any premises in the area specified in Schedule 1 or enabling a supply to be so given during the period specified in paragraph 3 below, subject to -
 - (a) the standard conditions of electricity generation licences referred to in -
 - (i) paragraph 1 of Part II below which shall have effect in the licence; and
 - (ii) paragraph 2 of Part II below which shall have effect in the licence only in accordance with the provisions of the standard conditions,in each case, subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the Special Conditions");
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the Special Conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act the Special Conditions or the conditions.
3. This licence, unless revoked in accordance with the terms of Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109(1) of the Act (Service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "this licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment where, after the date of this licence --
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,

shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

Pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28th September 2001 this licence was made and is treated as granted under section 6(1)(a) of the Electricity Act 1989.

PART II. THE STANDARD CONDITIONS

1. Standard conditions in effect in this licence

| Section A | Section B | Section C |
|----------------------|------------------------|-----------------------|
| Standard condition 1 | Standard condition 5 | Standard condition C1 |
| Standard condition 2 | Standard condition 6 | Standard condition C2 |
| Standard condition 3 | Standard condition 7 | Standard condition C3 |
| Standard condition 4 | Standard condition 8 | Standard condition C4 |
| | Standard condition 9 | |
| | Standard condition 10 | |
| | Standard condition 11 | |
| | Standard condition 12 | |
| | Standard condition 13 | |
| | Standard condition 14 | |
| | Standard condition 15 | |
| | Standard condition 16 | |
| | Standard condition 16A | |
| | Standard condition 17A | |
| | Standard condition 19 | |

2. Standard conditions not in effect in this licence

| Section B | Section D |
|-----------------------|-----------------------|
| | Standard condition D1 |
| Standard condition 17 | |
| Standard condition 18 | Standard condition D2 |
| | Standard condition D3 |
| | Standard condition D4 |
| | Standard condition D5 |

Note: A copy of the current standard conditions of electricity generation licences can be inspected at the principal office of the Authority. The above lists are correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

PART III. AMENDED STANDARD CONDITIONS

1. Standard condition 1 (Definitions and Interpretation) shall be amended by the addition of the following text as an additional definition:

"bulk supply point" means any point at which electricity is delivered from a transmission system to any distribution system.

2. Standard condition 17A (Prohibition of Cross Subsidies) shall be amended by the addition of the following text as a new paragraph 13 of that condition:

"Nothing which the licensee is obliged to do or not to do pursuant to this licence or any other document which grants a licence to the licensee under the Act, shall be regarded as a cross-subsidy for the purposes of this condition."

PART IV. SPECIAL CONDITIONS

Special Condition A: Interpretation

1. Unless the context otherwise requires words and expressions used in the standard conditions of this licence shall bear the same meaning in these Special Conditions.
2. Any reference in these Special Conditions to:-
 - (a) a provision thereof;
 - (b) a provision of the standard conditions;
 - (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 transmission licences;

shall, 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.

Special Condition B: Hydro-Benefit payment

1. The licensee shall pay to Scottish Hydro-Electric Transmission Limited the annual amount of hydro-benefit payment (CTD_t) on the terms of payment set out in Schedule B of Scottish Hydro-Electric Transmission Limited's transmission licence.
2. The licensee shall pay to Scottish Hydro-Electric Power Distribution Limited the annual amount of hydro-benefit payment (CDD_t) on the terms of payment set out in Schedule B of Scottish Hydro-Electric Power Distribution Limited's distribution licence.
3. The accounting statement to be prepared for the purposes of standard condition 16 (Regulatory Accounts) in respect of any relevant year commencing on 1 April shall include the payment by the licensee of the sums of hydro-benefit payment referred to at paragraphs 1 and 2 above.

4. In this Condition

(CDD_t) shall be as defined in Schedule B to the Special Conditions in Scottish Hydro-Electric Power Distribution Limited's distribution licence.

(CTD_t) shall be as defined in Schedule B to the Special Conditions in Scottish Hydro-Electric Transmission Limited's transmission licence.

SCHEDULE 1

SPECIFIED AREA

Great Britain

SCHEDULE 2

REVOCATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(g)) in writing to the licensee:
 - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
 - (b) if any amount payable under standard condition 4 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
 - (ii) an order made by the court under section 34 of the Competition Act 1998.
 - (e) if the licensee ceases to carry on the generation business;
 - (f) if the licensee has not commenced carrying on the generation business within 5 years of the date on which the licence comes into force;
 - (g) if the licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this Schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of

reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);

- (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
 - (h) if the licensee is convicted of having committed an offence under section 59 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(g)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£100,000" or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(g)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

ANNEXE 2

SCOTTISH HYDRO-ELECTRIC TRANSMISSION LIMITED TRANSMISSION LICENCE

PART I. TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act"), authorises Scottish Hydro-Electric Transmission Limited (a company registered in Scotland under number SC213461 ("the licensee") whose registered office is situated at Inveralmond HS, 200 Dunkeld Road, Perth, Perthshire PH1 3AQ, to transmit electricity for the purpose of giving a supply to any premises or enabling a supply to be so given in the area specified in Schedule 1 during the period specified in paragraph 3 below, subject to -
 - (a) the standard conditions of electricity transmission licences referred to in -
 - (i) paragraph 1 of Part II below which shall have effect in the licence; and
 - (ii) paragraph 2 of Part II below which shall have effect in the licence only in accordance with the provisions of standard conditions 2 and 3 respectively, in each case, subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the Special Conditions");
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the Special Conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act the Special Conditions or the conditions.
3. This licence, unless revoked in accordance with the terms of Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109(1) of the Act (Service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "this licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence -
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

Pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28th September 2001 this licence was made and is treated as granted under section 6(1)(b) of the Electricity Act 1989.

PART II. THE STANDARD CONDITIONS

1. Standard conditions in effect in this licence

| Section A | Section B | Section D |
|----------------------|-----------------------|------------------------|
| Standard condition 1 | Standard condition 5 | Standard condition D1 |
| Standard condition 2 | Standard condition 6 | Standard condition D2 |
| Standard condition 3 | Standard condition 7 | Standard condition D3 |
| Standard condition 4 | Standard condition 7A | Standard condition D3A |
| | Standard condition 8 | Standard condition D3B |
| | Standard condition 9 | Standard condition D4 |
| | Standard condition 10 | Standard condition D5 |
| | Standard condition 11 | Standard condition D6 |
| | Standard condition 12 | Standard condition D7 |
| | | Standard condition D8 |
| | | Standard condition D8A |
| | | Standard condition D8B |
| | | Standard condition D8C |
| | | |

2. Standard conditions not in effect in this licence

| Section C |
|------------------------|
| Standard condition C1 |
| Standard condition C2 |
| Standard condition C3 |
| Standard condition C4 |
| Standard condition C5 |
| Standard condition C6 |
| Standard condition C7 |
| Standard condition C7A |
| Standard condition C7B |
| Standard condition C7C |
| Standard condition C7D |
| Standard condition C7E |
| Standard condition C7F |
| Standard condition C7G |
| Standard condition C8 |

Note: A copy of the current standard conditions of electricity transmission licences can be inspected at the principal office of the Authority. The above lists are correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

PART III. AMENDED STANDARD CONDITIONS

1. Standard condition 1 shall be amended by the addition of the following text as an additional definition :

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|----------------------|---|
| ""bulk supply point" | means any point at which electricity is delivered from a transmission system to any distribution system." |
|----------------------|---|

2. Standard condition 5 (Regulatory Accounts) shall be amended by the addition of the following text at the start of paragraph 6:

"6. Unless the Authority otherwise consents (such consent may be given in relation to some or all of the obligations in this condition and may be given subject to such conditions as the Authority considers appropriate),"

3. Standard condition 5 (Regulatory Accounts) shall be amended by the addition of the following text as a new paragraph 11 of that condition:

"11. In addition to, and without prejudice to, the licensee's obligations under the foregoing paragraphs of this condition the licensee shall comply with the provisions of Schedule B to the Special Conditions."

4. Standard condition 11 (Provision of Information to the Authority) shall be amended by the addition of the following text as new paragraphs 6 to 9.

"6. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that that ultimate controller ("the information covenantor") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and its subsidiaries) will give to the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it by paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.

7. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 6, and shall comply with any direction from the Authority to enforce any undertaking so procured.

8. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:

- (a) an undertaking complying with paragraph 6 is not in place in relation to that ultimate controller; or
- (b) there is an unremedied breach of such undertaking; or
- (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 7 of this condition.

9. In this condition

“ultimate controller”

means:

- (a) a holding company of the licensee which is not itself a subsidiary of another company; and
- (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of:
 - (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or
 - (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary; but excluding any director or employee of a corporate body in his capacity as such; and
- (c) for the purposes of sub-paragraph (b), a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph.”

5. Standard condition 12 (Prohibition of Cross-Subsidies) shall be amended by the addition of the following text as a new paragraph 2 of that condition:

- “2. Nothing which the licensee is obliged to do or not to do pursuant to this licence or any other document which grants a licence to the licensee under the Act shall be regarded as a cross-subsidy for the purposes of this condition.”

PART IV. SPECIAL CONDITIONS

Special Condition A: Interpretation

1. Unless the context otherwise requires words and expressions used in the standard conditions of this licence shall bear the same meaning in these Special Conditions.
2. Any reference in these Special Conditions to:-
 - (a) a provision thereof;
 - (b) a provision of the standard conditions;
 - (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;

shall, 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.

Special Condition B: Basis of charges for use of the Scottish interconnection

1. Unless (and except for so long as) the Authority approves otherwise, charges for use of the licensee's share of the Scottish interconnection shall be set at a level which will enable the licensee to recover no more than an appropriate proportion of the licensee's Scottish interconnection costs.
2. The licensee shall as soon as practicable after the transmission licence has come into force, and, in any event, not later than such date as the Authority shall specify, prepare a statement approved by the Authority setting out the basis upon which charges for use of the Scottish interconnection will be made, such statement to be in such form and to contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for use of the Scottish interconnection, and (without prejudice to the foregoing) including the information required to be included therein pursuant to paragraph 3.
3. Except to the extent that the Authority shall otherwise specify, the statement referred to in paragraph 2 shall include:
 - (a) a schedule of charges for transport of electricity under use of the licensee's share of the Scottish interconnection;
 - (b) the charge for maintaining voltage and frequency within statutory limits;
 - (c) a schedule of the adjustment factors to be made in respect of transmission losses, in the form of additional supplies required to cover those transmission losses;
 - (d) the methods by which and the principles on which charges (if any) will be made for the licensee making available transmission capacity from the licensee's share of the Scottish interconnection; and
 - (e) a description of the Annual Fixed Charge and the Capacity Charge referred to in paragraph 14(c); and
 - (f) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this Condition.
4. In addition to, and without prejudice to, the licensee's obligations under paragraph 2, the licensee shall, upon being directed to do so in directions issued by the Authority from time to time for the purposes of this Condition and within such period as shall be specified in the directions, prepare a statement approved by the Authority providing that charges for use of the licensee's share of the Scottish interconnection will be made on such basis as shall be specified in the directions and such statement shall be in such form and contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for use of the Scottish interconnection and (without prejudice to the foregoing) including such information as shall be specified in the directions. Each statement prepared in accordance with this paragraph shall, with effect from the date on which it is approved by the Authority or such later date as the Authority shall specify, replace the corresponding statement prepared by the licensee in accordance with paragraph 2 or, as the case may be, this paragraph (as from time to time revised in accordance with paragraph 5) which is in force at such date and the licensee shall, with effect from such date, make charges for use of the licensee's share of the Scottish interconnection in accordance with the statement (as from time to time revised in accordance with paragraph 5) which has replaced such corresponding statement.

5. The licensee may periodically revise the statement prepared in accordance with paragraph 2 or, in the event that the licensee shall have prepared a statement in accordance with paragraph 4, that statement or the latest of such statements and shall, at least once in every year the transmission licence is in force, revise such statement in order that the information set out therein shall continue to be accurate in all material respects. Each such revision shall require to be approved by the Authority and shall not become effective until approved by the Authority.
6. The licensee shall as soon as practicable after the transmission licence has come into force and, in any event, not later than such date as the Authority shall specify prepare a statement approved by the Authority showing:
 - (a) the amount of the capacity of the Scottish interconnection which the licensee anticipates will be available for the transfer of electricity from Scotland to England and England to Scotland during each remaining week of the year ending on 31 March 1991 as notified by SP Transmission Limited to the licensee pursuant to the Interconnector Agreement;
 - (b) the amount of that capacity in relation to which the licensee has a right to require SP Transmission Limited to receive and deliver electricity as referred to in sub-paragraph (b) of paragraph 14;
 - (c) the licensee's forecast of the amount of the amount of the capacity referred to in sub-paragraph (b) above which will be used for the transfer of electricity from Scotland to England and from England to Scotland during each week referred to in sub-paragraph (a) above; and
 - (d) such other matters (if any) as the Authority shall specify prior to its approval of the statement.
7. The licensee shall, as soon as practicable (and, in any event, within such period as the Authority shall specify) after receiving a notification such as is referred to in sub-paragraph (a) of paragraph 6 from SP Transmission Limited in respect of the year ending on 31 March 1992 and each subsequent year, prepare a statement approved by the Authority showing the matters referred to in sub-paragraphs (a) to (d) of paragraph 6 in respect of that year.
8. The licensee shall send a copy of the statement prepared in accordance with paragraph 2 and any statement prepared in accordance with paragraph 4, and of each revision of such statements in accordance with paragraph 5, and of each statement prepared in accordance with paragraphs 6 and 7 and with paragraphs 3(a) and 8 of Special Condition D (Requirement to Offer Terms), to the Authority.
9. The licensee shall give or send a copy of the statement prepared in accordance with paragraph 2, any statement prepared in accordance with paragraph 4 or (as the case may be) of the latest revision of the relevant statement in accordance with paragraph 5 approved by the Authority pursuant to such paragraph and of each statement prepared in accordance with paragraphs 6 and 7 to any person who requests a copy of such statement.
10. The licensee shall also give or send a copy of each statement prepared in accordance with paragraphs 3(a) and 8 of Special Condition D (Requirement to Offer Terms) to any person who requests a copy of such statement.
11. The licensee may make a charge for any statement given or sent pursuant to paragraph 9 of an amount reflecting the licensee's reasonable costs of providing such a statement which shall not

exceed the maximum amount specified in directions issued by the Authority for the purposes of this Condition.

12. The licensee may within 10 days after receipt of the relevant request provide an estimate of its reasonable costs in the preparation of any statement referred to in paragraph 10, and its obligation to provide such statement shall be conditional on the person requesting such statement agreeing to pay the amount estimated or such other amount as the Authority may, upon the application of the licensee or the person requesting such statement, direct.
13. ~~For the purposes of determining an appropriate proportion of the licensee's Scottish interconnection costs as referred to in paragraph 1, the licensee shall have regard to:~~
 - (a) the amount of the export quantities of electricity and/or import quantities of electricity, and the proportion of the licensee's share of the Scottish interconnection capacity, in respect of which use of the licensee's share of the Scottish interconnection is granted by the licensee;
 - (b) the duration of the relevant agreement; and
 - (c) such other matters (if any) as the Authority shall specify from time to time.
14. For the purposes of this Condition and Special Conditions C (Non-discrimination in the provision of use of the Scottish Interconnection), D (Requirement to Offer Terms), E (Functions of the Authority) and G (Requests for Transit):

"Combined Delivery Point" means the points at the boundary between the licensee's authorised transmission area and SP Transmission Limited's authorised transmission area defined as such in the Interconnector Agreement.

"co-operator" means any person other than the licensee who owns assets which are used in conjunction with the interconnection or who is able to exercise jointly with another person control over the use made of the interconnection.

"export quantities of electricity" means quantities of electricity provided by or on behalf of a person making an application under paragraph 1 of Special Condition D (Requirement to Offer Terms) at an entry point on the licensee's system (other than the Combined Delivery Point) and delivered (less any losses) to the Combined Delivery Point under an agreement for use of system entered into pursuant to an application made by the person under paragraph 1 of standard condition D 8B (Requirement to Offer Terms).

"import quantities of electricity" means quantities of electricity provided by or on behalf of a person making an application under paragraph 1 of

Special Condition D (Requirement to Offer Terms) at an entry point on the transmission company's transmission system and delivered (less any transmission losses) to the Southern Delivery Point under an agreement for use of system and/or an agreement for use of interconnectors entered into pursuant to an application made by the person under the licence granted to the transmission company under Section 6(1)(b) of the Act or pursuant to any related document (as defined in paragraph 8 of Special Condition C (Non-discrimination in the provision of use of the Scottish Interconnection)).

"Interconnector Agreement"

means at any time the agreement relating to the matter referred to in sub-paragraph (a) of paragraph 2 of Special Condition F (Submission of Certain Agreements) in force at that time which has been entered into and submitted to the Authority pursuant to that Condition, as the same may be amended from time to time with the approval of the Authority given pursuant to such Condition.

"the licensee's Scottish interconnection costs"

shall mean the charges defined as the Annual Fixed Charge and the Capacity Charge in the Interconnector Agreement which are payable by the licensee to SP Transmission Limited pursuant to the Interconnector Agreement.

"Particular Interconnection Capacity"

means the capacity of the interconnection for transferring electricity from Scotland to England or vice versa in respect of any particular system conditions.

"Southern Delivery Point"

means the points at the boundary between SP Transmission Limited authorised transmission area and the transmission company's authorised transmission area defined as such in the Interconnector Agreement.

"Transmission Company"

means The National Grid Company plc or any other person who holds a transmission licence under Section 6(1)(b) of the Act for an authorised area in England and Wales.

"Upgrade"

means any alteration, modification or addition to the Interconnected Scottish Power System (as defined in the Interconnector Agreement) which is primarily designed to effect a permanent increase in one or more Particular

Interconnection Capacities as more particularly defined in the Interconnector Agreement.

“use of the licensee’s share of the Scottish interconnection”

shall mean the exercise by the licensee of the rights conferred upon it under the Interconnector Agreement to require SP Transmission Limited:

- (a) to receive electricity from the licensee at the Combined Delivery Point and deliver such electricity (less losses as referred to in the Interconnector Agreement) to the transmission company at the Southern Delivery Point; and/or
- (b) to receive electricity from the transmission company at the Southern Delivery Point and deliver such electricity (less losses as referred to in the Interconnector Agreement) to the Licensee at the Combined Delivery Point; and
- (c) any reference to “charges for use of the licensee’s share of the Scottish Interconnection” shall be to charges payable by persons other than the licensee in respect of the licensee exercising such rights to require SP Transmission Limited to receive and deliver electricity provided by or on behalf of such persons and cognate expressions shall be construed accordingly.

Special Condition C: Non-discrimination in the provision of use of the Scottish interconnection

1. In the provision of use of the licensee's share of the Scottish interconnection the licensee shall not discriminate:
 - (a) between any person or class or classes of persons; or
 - (b) between any affiliate of the licensee which holds a supply licence or a generation licence and any person or class or classes of persons.
2. Without prejudice to paragraph 1, the licensee shall not make or provide, or offer to make or provide, an agreement for use of the licensee's share of the Scottish interconnection to any person or class or classes of persons on terms as to price which are materially more or less favorable than those on which it makes, provides or offers to make or provide an agreement for use of the licensee's share of the Scottish interconnection to any other comparable person or class of persons.

For those purposes, due regard shall be had to the circumstances in which such agreement is made or provided or offered to be made or provided, including volumes, conditions of interruptibility, and the date and duration of the agreement.

3. Notwithstanding paragraphs 1 and 2, the licensee shall not make charges for use of the licensee's share of the Scottish interconnection in respect of any item of charge separately identified in the statement referred to at paragraphs 2 and 4 of Special Condition B (Basis of Charges for use of the Scottish Interconnection) on any person whose contract does not provide for it to receive the service to which such item of charge refers.
4. The licensee shall not in setting its charges for use of the licensee's share of the Scottish interconnection restrict, distort or prevent competition in the transmission, supply, distribution or generation of electricity.
5. The licensee shall:
 - (a) comply with and perform its obligations under the Interconnector Agreement;
 - (b) exercise its rights and perform its obligations under the Interconnector Agreement in a manner which is designed to facilitate the carrying out of Upgrades proposed by SP Transmission Limited pursuant to the Interconnector Agreement (but, for the avoidance of doubt, so that the licensee shall have no obligation to participate in any Upgrade proposed by SP Transmission Limited);
 - (c) not exercise or perform such rights or obligations in a manner which is designed to have the effect of inhibiting or preventing competition in the supply of electricity from Scotland to England or from England to Scotland;and
 - (d) not exercise or perform its rights or obligations under any related document in a manner which is designed to have the effect referred to in sub-paragraph (c) above.
6. The licensee shall not be in breach of this Condition or Special Conditions B (Basis of Charges for use of the Scottish Interconnection), D (Requirement to Offer Terms) or E (Functions of the

Authority) by reason only of a failure to do or not do any thing which it is prevented from doing or not doing by reason of a failure by SP Transmission Limited to comply with and perform its obligations under the Interconnector Agreement or by a party to a related document or a person who is obliged to comply with a related document to comply with and perform its obligations under the related document in question.

7. The licensee shall keep and maintain such records concerning the provision of use of the licensee's share of the Scottish interconnection as are, in the opinion of the Authority, sufficient to enable the Authority to assess whether the licensee is performing its obligations under ~~paragraph 1 and the licensee shall furnish to the Authority such records (or such of these as the~~ Authority may require), in such manner and at such times as the Authority may require.

8. In this Condition:

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| "related document" | means any agreement, code, rules, or arrangement relating to the use of the E&W interconnection for the time being in force and to which the licensee is a party or with which the licensee is obliged to comply. |
| "E&W interconnection" | means such part of the interconnection as is not situated in Scotland |
| "generation licence" | means a licence granted under Section 6(1)(a) of the Act. |
| "supply licence" | means a licence granted under Section 6(1)(d) of the Act. |

Special Condition D: Requirement to offer terms

1. On application made by any person, the licensee shall (except in a case where paragraph 2 applies and subject to paragraph 7) offer to enter into an agreement for use of the licensee's share of the Scottish interconnection:
 - (a) under which the licensee undertakes to require SP Transmission Limited:
 - (i) to accept delivery of such export quantities of electricity as may be specified in the application into SP Transmission Limited transmission system at the Combined Delivery Point; and
 - (ii) to deliver such export quantities of electricity (less losses as referred to in the Interconnector Agreement) to the Southern Delivery Point;
 - and/or
 - (iii) to accept delivery of such import quantities of electricity as may be specified in the application into SP Transmission Limited's transmission system at the Southern Delivery Point; and
 - (iv) to deliver such import quantities of electricity (less losses as referred to in the Interconnector Agreement) to the Combined Delivery Point;
 - (b) specifying the charges for use of the licensee's share of the Scottish interconnection to be paid by the person seeking use of the licensee's share of the Scottish interconnection, such charges to be referable to the statement referred to at paragraph 2 or (as the case may be) paragraph 4 of Special Condition B (Basis of Charges for use of the Scottish Interconnection) or any revision thereof; and
 - (c) containing such further terms as are or may be appropriate for the purposes of the agreement.
2. This paragraph applies in any case where, on the application of the licensee or any person entitled or claiming to be entitled to an offer pursuant to an application under paragraph 1, the Authority shall determine that (having regard to the part of the licensee's share of the Scottish interconnection capacity already contracted to persons other than affiliates and related undertakings of the licensee and the part thereof approved by the Authority as being reserved to affiliates and related undertakings of the licensee) the licensee's share of the Scottish interconnection capacity is insufficient to accommodate the requirements of the person who has made application for an offer pursuant to paragraph 1.
3. In a case where paragraph 2 applies:
 - (a) the licensee shall (subject to paragraph 12 of Special Condition B (Basis of Charges for use of the Scottish Interconnection)), if requested by the person who has made application for an offer pursuant to paragraph 1 and within such period as the Authority shall specify in its determination under paragraph 2, prepare a statement approved by the Authority setting out the basis upon which charges will be made for the costs which the licensee would incur if an Upgrade were to be carried out in accordance with the Interconnector Agreement to accommodate the requirements of the person who has made the application for an offer pursuant to paragraph 1, such statement to be in such

form and to contain such detail as shall be necessary to enable such person to make a reasonable estimate of the charges to which he would become liable in respect of the Upgrade; and

- (b) following the preparation of a statement under sub-paragraph (a) above, the licensee shall, on the application of the person who has made the application for an offer pursuant to paragraph 1, offer to enter into:
 - (i) an agreement pursuant to which the licensee undertakes to exercise its rights under the Interconnector Agreement to require the carrying out of an Upgrade; and
 - (ii) an agreement such as is referred to in paragraph 1, but so that the licensee shall not be bound to make use of the Scottish interconnection available pursuant to such agreement until the time of completion of the Upgrade.
- 4. Charges in respect of Upgrades carried out pursuant to an agreement such as is referred to in sub-paragraph (b)(i) of paragraph 3 will be set at a level which will enable the licensee to recover:
 - (a) the appropriate proportion of the costs directly incurred by the licensee in connection with Upgrades; and
 - (b) a reasonable rate of return on the capital represented by such costs.
- 5. For the purpose of determining an appropriate proportion of the costs directly incurred in connection with an Upgrade, the licensee shall have regard to:
 - (a) the benefit (if any) to be obtained or likely in the future to be obtained by the licensee or any other person from the increase in the capacity of the Scottish interconnection resulting from the Upgrade; and
 - (b) the ability or likely future ability of the licensee to recoup a proportion of such costs from third parties.
- 6. The licensee shall offer terms for agreements in accordance with paragraph 1 and paragraph 3(b) as soon as practicable and (save where the Authority consents to a longer period) in any event not more than the period specified in paragraph 9 after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer.
- 7. The licensee shall not be obliged pursuant to this Condition to offer to enter or to enter into any agreement:
 - (a) if to do so would involve the licensee:
 - (i) in breach of its duties under Section 9 of the Act; or
 - (ii) in breach of the Electricity Supply Regulations 1988 or of any regulations made under Section 29 of the Act or of any other enactment relating to safety or standards applicable to the interconnection; or
 - (iii) in breach of the standard conditions or Special Conditions of this licence; or
 - (b) if the person making the application does not undertake to be bound by the terms of any code of general application or agreement between the licensee and any co-operator of

the interconnection governing the operation of and maintenance of the interconnection approved for the time being by the Authority.

8. If so requested by any person, the licensee shall (subject to paragraph 12 of Special Condition B (Basis of Charges for use of the Scottish Interconnection)), as soon as practicable and in any event not later than the expiry of such period as the Authority, on the application of the person making the request, shall determine for this purpose, give or send to such person a statement approved by the Authority setting out the basis upon which charges will be made for the costs which the licensee would incur if an Upgrade were to be carried out in accordance with the Interconnector Agreement to accommodate the requirements of such person as specified in the request, such statement to be in such form and to contain such detail as shall be necessary to enable such person to make a reasonable estimate of the charges to which it would become liable in respect of the Upgrade.
9. For the purpose of paragraph 1, the period specified shall be 28 days. For the purpose of paragraph 3(b), the period specified shall be 3 months.
10. The licensee shall within 28 days following receipt of a request from any person, give or send to such person such information in the possession of the licensee as may be reasonably required by such person for the purpose of completing paragraph 8 of Part 1 and paragraphs 2(v) and (vi) of Part 2 of Schedule 2 to the Electricity (Application for Licences and Extensions of Licences) Regulations 1990 or such provisions to like effect contained in any further regulations then in force made pursuant to Sections 6A(2), 60 and 64(1) of the Act.

Special Condition E: Functions of the Authority

1. If, after a period which appears to the Authority to be reasonable for the purpose the licensee has failed to enter into an agreement with any person entitled or claiming to be entitled thereto pursuant to a request under Special Condition D (Requirement to Offer Terms) the Authority may, and on the application of such person or the licensee, settle any terms of the agreement in dispute between the licensee and that person in such manner as appears to the Authority to be reasonable having (insofar as relevant) regard in particular to the following considerations:
 - (a) that such person should pay to the licensee charges determined in accordance with Special Conditions B (Basis of Charges for use of the Scottish Interconnection), C (Non-discrimination of the provision of use of the Scottish Interconnection) and D (Requirement to Offer Terms); and
 - (b) that the performance by the licensee of its obligations under the agreement should not involve it in such a breach as is referred to in paragraph 7 of Special Condition D (Requirement to Offer Terms);
 - (c) that the obligations of the licensee under the agreement should not be in conflict with the provisions of the Interconnector Agreement or any relevant document for the time being approved by the Authority; and
 - (d) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under Special Condition D (Requirement to Offer Terms) should be, so far as circumstances allow, in as similar a form as is practicable.
2. If the person wishes to proceed on the basis of the agreement as settled by the Authority, the licensee shall forthwith enter into and implement such agreement in accordance with its terms.
3. If the licensee proposes to vary the contractual terms of any agreement entered into pursuant to Special Condition D (Requirement to Offer Terms) or this Condition in any manner provided for under such agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable.

Special Condition F: Submission of certain agreements

1. The licensee shall not make an amendment to a specified agreement or enter into any agreement which amends a specified agreement except with the prior written approval of the Authority.
2. For the purposes of this Condition:

“specified agreements” means agreements relating to the following matters, namely:

- (a) the provision by Scottish Power Transmission Limited to the licensee of a share (initially 46%) of the export and import capacity of the Interconnector with England and Wales (after deduction of an allowance for the share of such capacity dedicated to the existing agreement between South of Scotland Electricity Board and British Nuclear Fuels plc relative to the transmission of output from Chapelcross Power Station); and
- (b) operational provisions for the implementation of all or some of the agreements relating to the matters referred to in (a) above; provisions supporting the co-ordination, planning and operation of an electricity supply system within Scotland; an operational basis to support trading relationships between Scottish Power Generation Limited and the licensee and/or between either of them and any third party and/or between third parties using the electricity transmission systems in Scotland; and a framework for accommodating generators of electricity using the electricity transmission system of SP Transmission Limited and the licensee.

“amendment” in relation to any agreement shall (without limiting the generality) include the making, entering into and granting of:

- (a) any agreement which terminates, extends the duration of, varies or has the effect of affecting in any other way any right and/or obligation (or the enforceability of any right and/or obligation) of any person under the first mentioned agreement; and

- (b) any waiver or purported waiver (whether or not constituted or evidenced by any written document, and whether express, implied or otherwise) of any right of any person under that agreement.

“agreement”

includes any contract or arrangement (whether or not constituted or evidenced by any written document).

Special Condition G: Requests for Transit

1. In this Condition:

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| “entity” | means any of the entities referred to in Article 3.1 of the Directive of the Council of the European Communities, dated 29 th October 1990, (No.90/547/EEC) on the transit of electricity through transmission grids ("the Directive"). |
| “grid” | means any high-voltage electricity transmission grid for the time being listed in the Annexe to the Directive. |
| “Member State” | means a Member State of the European Union. |
| “transit” | means a transaction for the transport of electricity between grids where: <ul style="list-style-type: none">(a) the grid of origin or final destination is situated in a Member State; and(b) the transport involves:<ul style="list-style-type: none">(i) the crossing of at least one frontier between Member States; and(ii) the use of the licensee's transmission system and at least two other grids. |

2. The licensee shall, after receiving in connection with transit for a minimum duration of one year an application by an entity for an agreement for:

- (a) use of system;
- (b) connection to the licensee's transmission system or modification to an existing connection; or
- (c) use of the licensee's share of Scottish interconnection,
- (d) notify the Secretary of State, the Authority and the European Commission without delay of the matters set out in paragraph 3 below.

3. The matters of which notification must be given are:

- (a) the application;
- (b) if an agreement has not been concluded within 12 months of the date of receipt of the application, the reasons for the failure to conclude it;
- (c) the conclusion of the agreement, whether it is concluded before or after the expiry of the period mentioned in sub-paragraph (b) above.

4. If, in relation to an application for transit by any entity, the Authority has been requested to exercise its powers under standard condition D8C (Functions of the Authority) or Special Condition E (Functions of the Authority), the Authority may delay the exercise of its said powers until the terms have been considered by the body set up under Article 3.4 of the Directive and the Authority may give such weight to the opinion (if any) of that body as it thinks fit in exercising its said powers.
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Special Condition H: Transmission System Security Standard and Quality of Service (Scotland)

1. The licensee shall:
 - (a) plan and develop its transmission system in accordance with the document entitled NSHEB Planning Document TM9001 (Transmission Planning Standard of Security) (such document being as submitted by or on behalf of the licensee to the Authority on or before the date of grant of this licence or such later date as the Authority shall agree), as appropriate to the purpose under consideration, and the Grid Code or such other standard of planning as the licensee may, following consultation with any authorised electricity operator liable to be materially affected thereby and with the approval of the Authority, adopt from time to time; and
 - (b) operate its transmission system in accordance with the document entitled NSHEB System Operation Memorandum No 3 (as submitted by or on behalf of the licensee to the Authority on or before the date of grant of this licence or such later date as the Authority shall agree), as appropriate to the purpose under consideration and the Grid Code or such other standard of operation as the licensee may, following consultation with any authorised electricity operator liable to be materially affected thereby and with the approval of the Authority, adopt from time to time.
2. The licensee shall, in consultation with authorised electricity operators liable to be materially affected thereby, review the documents (other than the Grid Code) referred to in paragraph 1 and their implementation on each occasion that it carries out a review of the Grid Code in accordance with paragraph 2 of standard condition 7 (Licensee's Grid Code). Following any such review, the licensee shall send to the Authority:
 - (a) a report on the outcome of such review; and
 - (b) any revision which the licensee proposes to make to such documents from time to time (having regard to the outcome of such review); and
 - (c) any written representations or objections from authorised electricity operators (including any proposals by such operators for revisions to such documents not accepted by the licensee in the course of the review) arising during the consultation process and subsequently maintained.
3. Revisions to the documents (other than the Grid Code) referred to in paragraph 1 proposed by the licensee and sent to the Authority pursuant to paragraph 2 shall require to be approved by the Authority.
4. Having regard to any written representations or objections referred to in sub-paragraph (c) of paragraph 2, and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the licensee to revise the documents (other than the Grid Code) referred to in paragraph 1 in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.
5. The licensee shall within 3 months after the transmission licence comes into force draw up and submit to the Authority for its approval a statement setting out criteria by which the performance of the licensee in maintaining transmission system security and availability and quality of service may be measured.

6. The licensee shall within 2 months after the end of each financial year submit to the Authority a report providing details of the performance of the licensee during the previous financial year against the criteria referred to in paragraph 5.
7. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
8. The licensee shall give or send a copy of the documents (other than the Grid Code) referred to in paragraph 1 (as from time to time revised) to the Authority.
9. The licensee shall (subject to paragraph 10) give or send a copy of such documents (as from time to time revised) to any person requesting the same.
10. The licensee may make a charge for any copy given or sent pursuant to paragraph 9 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Special Condition I: Definitions

In this condition and in Special Conditions J to N and Schedules A and B:

| | |
|---|--|
| "average charge per regulated unit transmitted" | means the regulated transmission revenue in the relevant year divided by the regulated quantity transmitted in that year. |
| "average specified rate" | means the average of the daily base rates of Governor and Company of the Bank of Scotland (or such other bank as the Authority shall specify from time to time) current from time to time during the period in respect of which the calculation falls to be made. |
| "charge restriction conditions" | means Special Conditions I to N inclusive together with Schedule A and Schedule B to this licence, as from time to time modified or replaced in accordance with the provisions of the Act. |
| "excluded services" | means those services provided as part of the transmission business which in accordance with the principles set out in Part A of Schedule A fall to be treated as excluded services. |
| "maximum average charge per regulated unit transmitted" | means the maximum average charge per regulated unit transmitted by the licensee for relevant year commencing on 1 April 1999 calculated with the formula in paragraph 2.1 of the Schedule 5 of the version of the licence in force (or deemed to be in force) as at 31 March 2000. |
| "maximum regulated transmission revenue" | means the regulated transmission revenue of the licensee calculated in accordance with the formula contained in Special Condition J (Restriction of Transmission Charges). |
| "metered" | means in relation to any quantity transmitted, as measured by a meter installed for such purpose or (where no such meter is installed) as otherwise reasonably calculated. |
| "notified value" | means, in relation to any term, such value as the Secretary of State shall ascribe to that term in a written notice given to the licensee as soon as practicable after the date of grant of this licence. |
| "regulated quantity transmitted" | means the aggregate quantity of units transmitted through the licensee's transmission system in that |

| | |
|----------------------------------|--|
| | relevant year metered at exit points on leaving the licensee's transmission system. |
| "regulated transmission revenue" | means the revenue (measured on an accruals basis) derived from the provision of transmission services (including to any separate business, other than the transmission business) in the relevant year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived. |
| "regulated unit transmitted" | means any unit within the regulated quantity transmitted. |
| "relevant year" | means a financial year commencing on or after 1 April 1990. |
| "relevant year t" | means that relevant year for the purposes of which any calculation falls to be made. |
| "relevant year t-1" | means the relevant year preceding relevant year t or, in respect of the period prior to 1 April 1990, the period of 12 calendar months commencing on 1 April 1989; and similar expressions shall be construed accordingly. |
| "transmission services" | means all services provided as part of the transmission business other than excluded services. |
| "unit" | means a kilowatt hour. |

Special Condition J: Restriction of transmission charges

Basic Formula

- 1 Without prejudice to Special Condition M (Allowances in respect of security costs) the licensee shall in setting its charges for the provision of transmission services use its best endeavours to secure that in any relevant year the regulated transmission revenue shall not exceed the maximum regulated transmission revenue calculated in accordance with the following formula:

$$TR_t = R_t - KK_{Tt}$$

where:

TR_t means the maximum regulated transmission revenue in relevant year t ; and

R_t in relation to the relevant year commencing 1 April 2000, shall have a value equal to £49.15 million and in relation to any subsequent relevant year the value of it shall be derived from the following formula:

$$R_t = R_{t-1} \left[1 + \frac{RPI_t - X_T}{100} \right]$$

100

where

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index figures published or determined with respect to each of the six months July to December (inclusive) in relevant year $t-1$ and the arithmetic average of the Retail Price Index figures published or determined with respect to the same months in relevant year $t-2$.

X_T means 0.

KK_{Tt} means the correction factor (whether of a positive or negative value) to be applied to the regulated transmission revenue in relevant year t (subject to Special Condition K (Restriction of transmission charges: adjustments), paragraph 3) which factor is to be derived as follows:

- (a) in the relevant year commencing 1 April 2000:

$$KK_{Tt} = \frac{Q_{t-1}}{100} \times (C_{t-1} - T_{t-1}) \times \left(1 + \frac{IR^t}{100} \right)$$

100

100

where

C_{t-1} means the average charge per regulated unit transmitted in relevant year commencing 1 April 1999.

IR_t means that interest rate which is equal to, where KK_{Tt} in relevant year commencing 1 April 2000 (taking no account of IR for this purpose) has a positive value and C_{t-1} exceeds T_{t-1} by more than 2 per cent, the average specified rate plus 4 or, where KK_{Tt} in that relevant year commencing 1 April 2000 (taking no account of IR for this purpose) has a negative value and C_{t-1} does not exceed T_{t-1} by more than 2 per cent, the average specified rate.

Q_{t-1} has the value 12,066 (which represents the regulated quantity transmitted (expressed in GWh) by the licensee in relevant year commencing 1 April 1999).

T_{t-1} means the maximum average charge per regulated unit transmitted in relevant year commencing 1 April 1999; as determined in accordance with Schedule 5 of the form of SSE's transmission licence in force as at 31 March 2000; and

(b) in subsequent relevant years KK_{dt} is to be derived from the following formula:

$$KK_{Tt} = (CR_{t-1} - TR_{t-1}) \left(1 + \frac{I_t}{100}\right)$$

100

where:

CR_{t-1} means the regulated transmission revenue in relevant year $t-1$.

TR_{t-1} means the maximum regulated transmission revenue in relevant year $t-1$.

I_t means that interest rate in relevant year t which is equal to, where KK_{Tt} (taking no account of I for this purpose) has a positive value and CR_{t-1} exceeds TR_{t-1} by more than 2 per cent, the average specified rate plus 4 or, where KK_{Tt} (taking no account of I for this purpose) has a negative value and CR_{t-1} does not exceed TR_{t-1} by more than 2 per cent, the average specified rate.

Special Condition K: Restriction of transmission charges: adjustments

1. If, in respect of any relevant year, the regulated transmission revenue exceeds the maximum regulated transmission revenue by more than 3 per cent of the latter, the licensee shall furnish an explanation to the Authority and in the next following relevant year the licensee shall not effect any increase in charges for the provision of transmission services, the revenue from which is regulated under Special Conditions I to N, unless it has demonstrated to the reasonable satisfaction of the Authority that the regulated transmission revenue in that next following relevant year would not be likely to exceed the maximum regulated transmission revenue in that same relevant year.
2. If, in respect of any two successive relevant years, the sum of the amounts by which the regulated transmission revenue has exceeded the maximum regulated transmission revenue is more than 4 per cent of the maximum regulated transmission revenue for the second of these relevant years, then in the next following relevant year the licensee shall, if required by the Authority, adjust its charges for the provision of transmission services, the revenue from which it is regulated under Special Conditions I to N, such that the regulated transmission revenue would not be likely, in the judgment of the Authority, to exceed the maximum regulated transmission revenue in that next following relevant year.
3. If, in respect of any two successive relevant years, the regulated transmission revenue is less than 90 per cent of the maximum regulated transmission revenue, the Authority, after consultation with the licensee, may direct that in calculating KK_{Tt} in respect of the next following relevant year, there shall be substituted for CR_{t-1} in the formula set out in paragraph 1 of Special Condition J (Restriction of transmission charges) such figure as the Authority may specify being not less than CR_{t-1} and not more than $0.90 (TR_{t-1})$.

Special Condition L: Information to be provided to the Authority in connection with the charge restriction conditions

1. Where the licensee is intending to make any change in charges for the provision of transmission services regulated under Special Condition J (Restriction of transmission charges), the licensee shall not later than the time of publication of such changes provide the Authority with:
 - (i) a written forecast of the maximum regulated transmission revenue, together with its components, in respect of the relevant year t in which such a change is to take effect and in respect of the next following relevant year $t+1$; and
 - (ii) a written estimate of the maximum regulated transmission revenue, together with its components, in respect of the relevant year $t-1$ immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 5 in respect of relevant year $t-1$ has been furnished to the Authority before the publication of the proposed change.
2. If within three months of the commencement of any relevant year t the licensee has not made any such change in charges as is referred to in paragraph 1, the licensee shall provide the Authority with a written forecast of the maximum regulated transmission revenue together with its components, in respect of relevant year t .
3. Any forecast or estimate provided in accordance with paragraph 1 or 2 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
4. Not later than six weeks after the commencement of each relevant year t , the licensee shall send to the Authority a statement as to:
 - (a) whether or not the provisions of Special Condition K (Restriction of transmission charges: adjustments) are likely to be applicable in consequence of the regulated transmission revenue in the preceding relevant year $t-1$ or the two preceding relevant years $t-1$ and $t-2$; and
 - (b) its best estimate as to the relevant correction factor KK_{T_t} calculated in accordance with the formula set out in Special Condition J (Restriction of transmission charges) to be applied in calculating the maximum regulated transmission revenue in respect of relevant year t .

5. Not later than three months after the end of each relevant year the licensee shall send to the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 7.
6. The statement referred to in the preceding paragraph shall be:
 - (a) accompanied by a report from the Auditors that in their opinion such statement fairly presents each of the specified items referred to in paragraph 7 in accordance with the requirements of the charge restriction conditions and that the amounts shown in respect of each of the specified items are in accordance with the licensee's accounting records which have been maintained in respect of the transmission business in accordance with standard condition 5 (Regulatory Accounts); and
 - (b) certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief, after having made all reasonable inquiries,
 - (i) there is no amount included in its calculations under Special Condition J (Restriction of transmission charges) and Schedules A and B which represents other than bona fide consideration for the provision of transmission services the revenue from which is regulated under Special Conditions I to N and Schedules A and B;
 - (ii) no service has been treated as an excluded service other than a service permitted to be so treated in accordance with Schedule A; and
 - (iii) no amount included in the revenues stated in respect of excluded services represents other than bona fide consideration for the provision of the excluded service to which it relates.
7. The specified items to be shown in the statement referred to in paragraph 5 shall be the following:
 - (a) the regulated quantity transmitted;
 - (b) [no longer used]
 - (c) the regulated transmission revenue;

(d) the nature of all services provided as part of the transmission business and treated as excluded services, together with a statement of the revenues derived from each service so treated;

(e) [no longer used]

(f) [no longer used]

(g) the details referred to in paragraph 5 of Special Condition M (Allowances in respect of security costs); and

(h) such other items as shall be specified in directions issued by the Authority for the purposes of Special Conditions I to N .

8. Where the Authority issues directions in accordance with paragraph 6 of Special Condition M (Allowances in respect of security costs) or paragraph 7 of Schedule A (Supplementary Provisions of the Charge Restriction Conditions), the licensee shall, if so required by the Authority and within such a period as the Authority shall specify, send to the Authority a revised statement in substitution for the licensee's statement under paragraph 5 in respect of the relevant year in question and such revised statement shall give effect to such directions.

Special Condition M. Allowances in respect of security costs

1. At any time during a security period, the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the charge restriction conditions as may be specified in the notice, for the unexpired term of the security period.
2. At any time during a security period, the Authority may (having regard to its duties under the Act) by means of directions:
 - (a) suspend or modify for the unexpired term of the security period the charge restriction conditions or any part or parts thereof; or
 - (b) introduce for the unexpired term of the security period new charge restriction conditions;

in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate to enable the licensee to recover by means of a uniform percentage increase on all charges made in the course of the licence an amount estimated as being equal to the licensee's allowed security costs during such period and the licensee shall comply with the terms of any directions so issued.
3. Subject to paragraphs 4 and 6 the licensee shall in any relevant year be entitled to recover an aggregate amount equal to the licensee's allowed security costs in that year or (in so far as not previously recovered) any previous year, by means of appropriate equitable increases in the charges made by the licensee in the course of the transmission business.
4. Paragraph 3 shall not apply in so far as such licensee's allowed security costs:
 - (a) were otherwise recovered by the licensee; or
 - (b) were taken into account in setting the charge restriction conditions by means of directions issued under paragraph 2.
5. The licensee shall following the end of the each relevant year provide to the Authority details in respect of that relevant year of:
 - (a) the aggregate amounts charged under paragraph 3 on account of the licensee's allowed security costs; and
 - (b) the basis and calculation underlying the increase in charges made by the licensee in the course of the transmission business.
6. Where the Authority is satisfied that the licensee has recovered amounts in excess of the licensee's allowed security costs, the Authority may issue directions requiring the licensee to take

such steps as may be specified to reimburse customers of the licence for the excess amounts charged to them and the licensee shall comply with any directions so issued.

7. No amounts charged by the licensee under this Condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purposes of applying the charge restriction provision of Special Condition J (Restriction of transmission charges).
8. In this Condition:

"allowed security cost"

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 purposes of complying with directions issued by the Secretary of State under Section 34(4) of the Act;

"security period"

means a period commencing on the date on which any direction issued by the Secretary of State under Section 34(4)(b) 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 after having regard to the views of such persons.

Special Condition N: Duration of charge restriction conditions

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.
2. A disapplication request pursuant to this Condition shall
 - (a) be in writing addressed to the Authority;
 - (b) specify the charge restriction conditions (or any part or parts thereof) to which the request relates; and
 - (c) state the date from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect.
3. Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than the date which is the later of:
 - (a) the date being not less than 18 months after delivery of the disapplication request; and,
 - (b) 31 March 2005.
4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such transmission charge restriction conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to it written notice terminating the application of such charge restriction conditions (or any part or parts thereof) with effect from the disapplication date or a later date.

SCHEDULE A. Supplementary Provisions of the Charge Restriction Conditions

Part A: Excluded services

- 1 There may be treated as excluded services provided by the transmission business such services in respect of which charges are made:
 - (a) ~~which fall within paragraph 6; or~~
 - (b) which:
 - (i) do not fall within paragraph 2; and
 - (ii) may be determined by the licensee as falling under one of the principles set out in paragraphs 3 to 5.
- 2 No service provided as part of the transmission business shall be treated as an excluded service in so far as it relates to the provision of services remunerated under use of system charges in accordance with Condition D8 of Part II (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) including (without prejudice to the foregoing):
 - (i) the transport of electricity;
 - (ii) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges) for the purpose of maintaining or upgrading the licensee's transmission system;
 - (iii) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the licensee to comply with standard condition 7 (Licensee's Grid Code) and Special Condition H (Transmission System Security Standard and Quality of Service(Scotland)), the Electricity Supply Regulations 1988 or any regulations made under Section 29 of the Act or any other enactment relating to safety or standards applicable in respect of the transmission business ; and
 - (iv) the provision, installation and maintenance of any meters, switchgear or other electrical plant ancillary to the grant of use of system.
- 3 The whole or an appropriate proportion (as the case may be) of the charges of the type described in Condition D8 of Part II (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) and borne by any person as connection charges in respect of connections made after the grant of this licence may be treated as excluded services.
- 4 There may be treated as an excluded service charges for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Section 9(2) of the Act) imposed on the licensee.

- 5 There may with the approval of the Authority be treated as an excluded service any service of a type not above referred to which:
- (a) consists in the provision of services for the specific benefit of a third party requesting the same; and
 - (b) is not made available as a normal part of the transmission business remunerated by use of system charges.
- 6 Services may be regarded as excluded services where the charges are:
- (a) the rental for transmission business assets hosting fibre-optic telecommunications systems and used by third parties;
 - (b) made for the provision of capacity for transferring electricity across any part of any Upgrade;
- 7 Where the Authority is satisfied that, in light of the principles set out in paragraphs 3 to 6 inclusive, any service treated as being or not being an excluded service should not be so treated, the Authority shall issue directions to that effect, and such service shall cease to be treated as an excluded service with effect from the date of issue of such directions (subject to paragraph 8 of Special Condition L (Information to be provided to the Authority in connection with the charge restriction conditions)) or such other date as may be specified in the direction.
- 8 For the purpose of this Schedule "Upgrade" shall have the meaning given in Special Condition B (Basis of Charges for Use of Scottish Interconnection).

SCHEDULE B: Special provisions for hydro benefit payments received by the Transmission Business from the Generation Business

1. This Schedule sets out the annual amount or basis for arriving at the annual amount and terms of payment, if any, to be made by the generation business to the transmission business and which shall be included in the calculation of the licensee's price control.
2. This Schedule also applies for the purposes of securing that the accounting statements prepared by the licensee for the purposes of standard condition 5 (Regulatory Accounts) show the payment, if any, made by the generation business to the transmission business so that some of the benefit of the low operating costs which may or may be deemed to exist in respect of the hydro generation assets is used to offset the high costs which may or may be deemed to exist in respect of transmission in the authorised area.
3. The accounting statement to be prepared for the purposes of standard condition 5 (Regulatory Accounts) in respect of any relevant year commencing on 1 April shall include the receipt by the transmission business of the amount of hydro benefit, if any, in respect of that year.
4. The amount of hydro benefit to be paid to the transmission business shall be CTD_t .
5. For the avoidance of doubt the accounting transfers to be shown in accordance with paragraph 3 shall be in addition to, and without prejudice to, any other provisions which fall to be made in the accounting statements for the transmission business in order for such statements to comply with requirements contained in standard condition 5 (Regulatory Accounts).
6. In this Schedule:
 - (a) all prices and revenue shall exclude value added tax (if any);
 - (b) the following expressions shall have the following meanings:

CTD_t

means

$CDD_t \times (1 - \alpha)$ where

CDD_t is defined in Schedule B to the Special Conditions of Scottish Hydro-Electric Power Distribution Limited's distribution licence; and

α is as defined in Schedule B to the Special Conditions of Scottish Hydro-Electric Power Distribution Limited's distribution licence (and has the value of 1).

"generation business" means the business of the generation licensee or any affiliate or related undertaking of the generation licensee in the generation of electricity from hydro-electric power stations as at [the determination day];

"generation licensee" means SSE Generation Limited.

"transmission licence" has the meaning given in standard condition 1 (Definitions and Interpretation) of this licence.

Special Condition O: Restriction on Activity and Financial Ringfencing

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry out any activity other than the transmission business.
2. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:
 - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose; or
 - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the transmission business; or
 - (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or in the absence of any such requirement recommended) from time to time for listed companies in the United Kingdom.
3. Subject to the provisions of paragraph 2, nothing in this Condition shall prevent:
 - (a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;
 - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;
 - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
 - (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
4. Nothing in this Condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a "relevant associate") conducting de-minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:
 - (a) For the purpose of this paragraph "de-minimis business" means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:
 - (i) the transmission business

- (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).
- (b) The licensee or a relevant associate may carry on de-minimis business provided that the relevant associate carries on no other business except activities of the transmission business and business activities authorised by the Authority under paragraph 3(d), and neither of the following limitations is exceeded, namely:
 - (i) the aggregate turnover of all the de-minimis business carried on by the licensee and all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2 $\frac{1}{2}$ % of the aggregate turnover of the transmission business as shown by the most recent audited accounting statements of the licensee produced under paragraphs 2(b)(i) and (c) of standard condition 5 (Regulatory Accounts); and
 - (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee and all its relevant associates in their de-minimis business or de-minimis businesses does not at any time after the date this Special Condition takes effect in this licence exceed 2 $\frac{1}{2}$ % of the sum of share capital in issue, share premium and consolidated reserves of the licensee as shown by its most recent audited historical cost financial statements then available.
- (c) For the purpose of sub-paragraph (b) of this paragraph, "investment" means any form of financial support or assistance given by or on behalf of the licensee or a relevant associate for the de-minimis business whether on a temporary or permanent basis including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
- (d) At any relevant time, the amount of an investment shall be the sum of:
 - (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee or a relevant associate as at its latest accounting reference date to have occurred prior to the date this Special Condition takes effect in this licence (or, where the investment was not so included, zero);
 - (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee or a relevant associate in respect of such investment in all completed accounting reference periods since such accounting reference date; and
 - (iii) all commitments and liabilities (whether actual or contingent) of the licensee or a relevant associate relating to such investment outstanding at the end of the most recently completed accounting reference period.

5.

In this Condition and in Special Condition S (Indebtedness)

“permitted purpose”

means the purpose of all or any of the following:

- (a) the transmission business or any other business or activity within the limits of paragraph 4 of this Condition;
- (b) any business or activity to which the Authority has given its consent in writing in accordance with paragraph 3 (d) of this Condition; and
- (c) without prejudice to the generality of sub-paragraph (a), any payment or transaction lawfully made or undertaken by the licensee for a purpose within sub-paragraphs 1(b)(i) to (vii) of Special Condition S (Indebtedness).

Special Condition P: Availability of Resources

1. The licensee shall at all times act in a manner calculated to secure that it has available to it all such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities on such terms and with all such rights as shall ensure that it is at all times able:
 - (a) properly and efficiently to carry on the transmission business; and
 - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to the transmission business including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.
2. The licensee shall submit a certificate to the Authority, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution. Such certificate shall be submitted in June of each year. Each certificate shall be in one of the following forms:
 - (a) "After making enquiries, the directors of the licensee have a reasonable expectation that the licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, sufficient financial resources and financial facilities to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate."
 - (b) "After making enquiries, the directors of the licensee have a reasonable expectation, subject to what is said below, that the licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, sufficient financial resources and financial facilities to enable the licensee to carry on the transmission business for a period of twelve months from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the licensee to carry on the transmission business."
 - (c) "In the opinion of the directors of the licensee, the licensee will not have available to it sufficient financial resources and financial facilities to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate."
3. The licensee shall submit to the Authority with that certificate a statement of the main factors which the directors of the licensee have taken into account in giving that certificate.
4. The licensee shall inform the Authority in writing immediately if the directors of the licensee become aware of any circumstance which causes them no longer to have the

reasonable expectation expressed in the then most recent certificate given under paragraph 2.

5. The licensee shall use its best endeavours to obtain and submit to the Authority with each certificate provided for in paragraph 2 a report prepared by its auditors and addressed to the Authority stating whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any information which they obtained during their audit work.
6. The directors of the licensee shall not declare or recommend a dividend, nor shall the licensee make any other form of distribution within the meaning of section 263 of the Companies Act 1985, unless prior to the declaration, recommendation or making of the distribution (as the case may be) the licensee shall have issued to the Authority a certificate complying with the following requirements of this paragraph.
 - (a) The certificate shall be in the following form:

"After making enquiries, the directors of the licensee are satisfied:

 - (i) that the licensee is in compliance in all material respects with all obligations imposed on it by standard condition 11 (Provision of Information to the Authority), Special Condition O (Restriction on Activity and Financial Ring-fencing), Special Condition P (Availability of Resources), Special Condition Q (Undertaking from ultimate controller), Special Condition R (Credit Rating of Licensee) and Special Condition S (Indebtedness) of the licence; and
 - (ii) that the making of a distribution of [] on [] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of these obligations in the future."
 - (b) The certificate shall be signed by a director of the licensee and approved by a resolution of the board of directors of the licensee passed not more than 14 days before the date on which the declaration, recommendation or payment will be made.
 - (c) Where the certificate has been issued in respect of the declaration or recommendation of a dividend, the licensee shall be under no obligation to issue a further certificate prior to payment of that dividend provided such payment is made within six months of that certificate.

Special Condition Q: Undertaking from ultimate controller

1. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that that ultimate controller ("the covenantor") will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the covenantor (other than the licensee and its subsidiaries) will refrain from any action which would then be likely to cause the licensee to breach any of its obligations under the Act or this licence. Such undertaking shall be obtained within 7 days of the company or other person in question becoming an ultimate controller and shall remain in force for as long as the licensee remains the holder of this licence and the covenantor remains an ultimate controller of the licensee.

2. The licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 1;
- (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) comply with any direction from the Authority to enforce any such undertaking;

and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or of any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when,

- (i) an undertaking complying with paragraph 1 is not in place in relation to that ultimate controller, or
- (ii) there is an unremedied breach of such undertaking; or
- (iii) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 2 of this Condition.

3. In this Condition

"ultimate controller" means:

- (a) a holding company of the licensee which is not itself a subsidiary of another company; and
- (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee—~~or any holding company of the licensee~~ by virtue of:
 - (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or
 - (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary; but excluding any director or employee of a corporate body in his capacity as such; and
- (c) for the purposes of sub-paragraph (b), a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph.

Special Condition R: Credit Rating of Licensee

1. The licensee shall use all reasonable endeavours to ensure that the licensee maintains at all times an investment grade issuer credit rating.

2. In this Condition and in Special Condition S (Indebtedness):

“investment grade issuer credit rating” means:

- (a) an issuer rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries or a corporate rating of not less than Baa3 by Moody’s Investors Service, Inc. or any of its subsidiaries or such higher rating as shall be specified by either of them from time to time as the lowest investment grade credit rating; or
- (b) an equivalent rating from any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in the United Kingdom and the United States of America.

Special Condition S: Indebtedness

1. In addition to the requirements of standard condition 10 (Disposal of Relevant Assets), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
 - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
 - (i) on an arm's length basis;
 - (ii) on normal commercial terms;
 - (iii) for a permitted purpose; and
 - (iv) (if the transaction is within the ambit of standard condition 10 (Disposal of Relevant Assets)) in accordance with that condition.
 - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the licensee otherwise than by way of:
 - (i) a dividend or other distribution out of distributable reserves;
 - (ii) repayment of capital;
 - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
 - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition;
 - (v) repayment of or payment of interest on a loan not prohibited by subparagraph (a);
 - (vi) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received; or
 - (vii) an acquisition of shares or other investments in conformity with paragraph 2 of Special Condition O (Restriction on Activity and Financial Ringfencing) made on an arm's length basis and on normal commercial terms.

- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or
- (d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting at the date this Special Condition takes effect in this licence save that the licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous.
- (e) the provisions of sub-paragraphs (c) and (d) of this paragraph shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of paragraph (a).
- (f) the payment condition referred to in sub-paragraph (b) (iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
 - (i) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating, or
 - (ii) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.

2. In this Condition:

- “cross-default obligation” means a term of any agreement or arrangement whereby the licensee’s liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, increasing or of acceleration by reason of a default (howsoever such default may be described or defined) by any person other than the licensee unless:
- (i) that liability can arise only as the result of a default by a subsidiary of the licensee,
 - (ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors, and
 - (iii) that subsidiary carries on business only for a purpose within paragraph (a) of the definition

of permitted purpose (as defined in Special Condition O (Restriction on Activity and Financial Ringfencing)).

“indebtedness”

means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.

SCHEDULE 1

AUTHORISED AREA

1. The area specified in an order made under section 3(2) of the Act but excluding the Cruachan Transmission Line.
2. In this Schedule:

“the Cruachan Transmission Line”

means the double circuit 275 kV 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 and/or servitude rights relating thereto.

3. Expressions used in the definition of the Cruachan Transmission Line which are defined in a transfer scheme shall have the same meaning in this Schedule as in such transfer scheme.

SCHEDULE 2

REVOCATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(g)) in writing to the licensee:
 - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
 - (b) if any amount payable under standard condition 4 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
 - (ii) an order made by the court under section 34 of the Competition Act 1998.
 - (e) if the licensee ceases to carry on the transmission business;
 - (f) if the licensee has not commenced carrying on the transmission business within 5 years of the date on which the licence comes into force;
 - (g) if the licensee:

- (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this Schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
- (h) if the licensee is convicted of having committed an offence under section 59 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(g)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£100,000" or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(g)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

ANNEXE 3
SCOTTISH DISTRIBUTION LICENCE

PART I

TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(c) of the Electricity Act 1989 ("the Act") authorises Scottish Hydro-Electric Power Distribution Limited (a company registered in Scotland under number SC213460 ("the licensee") whose registered office is situated at Inveralmond HS, 200 Dunkeld Road, Perth, Perthshire PH1 3AQ, to distribute electricity for the purpose of giving a supply to any premises or enabling a supply to be so given in the area specified in Schedule 1 during the period specified in paragraph 3 below, subject to –
 - (a) the standard conditions of electricity distribution licences referred to in Part II below which shall have effect in the licence subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the Special Conditions"); and
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the Special Conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, the Special Conditions or the conditions.
3. This licence, unless revoked in accordance with Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109(1) of the Act (Service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "this licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment where, after the date of this licence-
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.
7. Pursuant to paragraph 6 of standard condition 2 (Application of Section C (Distribution Services Obligations)) of the Electricity Distribution Licence the "distribution services area" is specified in Schedule 3 hereto.

Pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28th September 2001 this licence was made and is treated as granted under section 6(1)(c) of the Electricity Act 1989.

PART II

THE STANDARD CONDITIONS

Standard conditions in effect in this licence

| Section A | Section B | Section C |
|----------------------|------------------------|------------------------|
| Standard condition 1 | Standard condition 4 | Standard condition 32 |
| Standard condition 2 | Standard condition 4A | Standard condition 32A |
| Standard condition 3 | Standard condition 4B | Standard condition 34 |
| | Standard condition 4C | Standard condition 35 |
| | Standard condition 5 | Standard condition 36 |
| | Standard condition 6 | Standard condition 36A |
| | Standard condition 7 | Standard condition 36B |
| | Standard condition 8 | Standard condition 36C |
| | Standard condition 9 | Standard condition 37 |
| | Standard condition 9A | Standard condition 38 |
| | Standard condition 10 | Standard condition 39 |
| | Standard condition 11 | Standard condition 40 |
| | Standard condition 12 | Standard condition 41 |
| | Standard condition 12A | Standard condition 42 |
| | Standard condition 13 | Standard condition 42A |
| | Standard condition 14 | Standard condition 43 |
| | Standard condition 15 | Standard condition 44 |
| | Standard condition 16 | Standard condition 45 |
| | Standard condition 17 | Standard condition 46 |
| | Standard condition 18 | Standard condition 47 |
| | Standard condition 19 | Standard condition 48 |
| | Standard condition 20 | Standard condition 49 |
| | Standard condition 21 | |
| | Standard condition 22 | |
| | Standard condition 23 | |
| | Standard condition 24 | |
| | Standard condition 25 | |
| | Standard condition 26 | |
| | Standard condition 29 | |

Note: A copy of the current standard conditions of electricity distribution licences can be inspected at the principal office of the Authority. The above list is correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

PART III
AMENDED STANDARD CONDITIONS

1. Standard condition 1 shall be amended by the addition of the following text as an additional definition:-

""bulk supply point" means any point at which electricity is delivered from a transmission system to any distribution system. "

2. Standard condition 5 (Distribution System Planning Standard and Quality of Service) shall be amended by replacing paragraph 1 with the following text:

"1. The licensee shall plan and develop the licensee's distribution system in accordance with a standard not less than that set out in Engineering Recommendation P.2/5 (October 1978 revision) of the Electricity Council Chief Engineers' Conference (as modified by the Memorandum numbered EM7907 and entitled "Distribution Planning – Standards of Voltage and security of supply" (dated 23 March 1979) such Memorandum being as submitted by or on behalf of the licensee to the Authority on or before the date of grant of this Licence Document or such later date as the Authority shall agree) in so far as applicable to it or such other standard of planning as the licensee may, following consultation (where appropriate) with the transmission company and any other authorised electricity operator liable to be materially affected thereby and with the approval of the Authority, adopt from time to time."

3. Standard condition 41 (Prohibition of Cross-Subsidies) shall be amended by the addition of the following text as a new paragraph 2 of that condition:

"2. Nothing which the licensee is obliged to do or not to do pursuant to this licence or any other document which grants a licence to the licensee under the Act, shall be regarded as a cross-subsidy for the purposes of this condition."

4. Standard condition 42 (Regulatory Accounts) shall be amended by the addition of the following text after paragraph 10:

"11. In addition to, and without prejudice to, the licensee's obligations under the foregoing paragraphs of this condition the licensee shall comply with the provisions of Schedule B to the Special Conditions."

PART IV
SPECIAL CONDITIONS

Special Condition A: Interpretation

-
1. Unless the context otherwise requires words and expressions used in the standard conditions of this licence shall bear the same meaning in these Special Conditions.
 2. Any reference in these Special Conditions to:-
 - (a) a provision thereof;
 - (b) a provision of the standard conditions;
 - (c) a provision of the standard conditions of electricity supply licences;
 - (d) a provision of the standard conditions of electricity generation licences;
 - (e) a provision of the standard conditions of electricity transmission licences;

shall, 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.

Special Condition B: Definitions

- 1 This Condition and Special Conditions C to G and Schedules A and B apply only to the distribution services area (as defined in standard condition 1 (Definitions and Interpretation)) of the licensee.
- 2 In this Condition and in Special Conditions C to G and Schedules A and B:

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|---|--|
| "attributed" | means when used in relation to transmission connection point charges or distribution losses attributed in accordance with the principles set out in Part A of Schedule A and attribute, attributed, attributable and attribution shall be construed accordingly. |
| "average charge per regulated unit distributed" | means the regulated distribution revenue in the relevant year divided by the regulated quantity distributed in that year. |
| "average specified rate" | means the average of the daily base rates of the Governor and Company of the Bank of Scotland (or such other bank as the Authority shall specify from time to time) current from time to time during the period in respect of which the calculation falls to be made. |
| "charge restriction conditions" | means Special Conditions B to G inclusive together with Schedule A and Schedule B to this licence, as from time to time modified or replaced in accordance with the provisions of the Act. |
| "distribution losses" | means units unaccounted for on the licensee's distribution system, measured as being the difference between the units metered on entry into the system and the units metered on leaving the system. |
| "distribution revenue" | <p>means the revenue (measured on an accruals basis) derived by the licensee from the provision of distribution services in the relevant year, after deduction of:</p> <ol style="list-style-type: none">(i) an amount equal to such part of the total amount payable in that relevant year to Scottish Hydro-Electric Transmission Limited and SP Transmission Limited (measured on an accruals basis) in respect of transmission connection point charges and which would otherwise be included in |

distribution revenue by reason of being recovered in that relevant year by the licensee in its use of system charges, as falls to be attributed to the regulated quantity distributed in that relevant year; and

- (ii) value added tax (if any) and any other taxes based directly on the amounts so derived.

| | |
|--------------------------|---|
| "distribution services" | means all services provided by the licensee as part of its distribution business other than excluded services. |
| "EHV premises" | means those premises to which units are delivered by the licensee which fall to be treated as EHV premises in accordance with Part B of Schedule A. |
| "EHV units" | means units distributed by the licensee which are delivered or deemed to be delivered to EHV premises. |
| "eleventh relevant year" | means the relevant year commencing 1st April 2000. |
| "excluded services" | means those services which in accordance with the principles set out in Part C of Schedule A fall to be treated as excluded services. |
| "HV units" | means units (other than EHV units) distributed by the licensee which are delivered to premises connected to the licensee's distribution system at a voltage at or higher than 1000 volts. |
| "LV units" | means units distributed by the licensee which are delivered to premises connected to the licensee's distribution system at a voltage less than 1000 volts. |
| "LV1 units" | means LV units which are distributed by the licensee outside night-time or weekend periods to domestic premises or small premises (other than domestic premises) where the appropriate use of system charges apply different rates in night-time or weekend periods as opposed to other times of day or week, for the avoidance of doubt including the use of system charges under the tariffs specified in paragraph D2 of Part D of Schedule A. |
| "LV2 units" | means LV units which are distributed by the licensee to domestic premises or small premises (other than domestic premises): |

- (a) during night-time or weekend periods, where the appropriate use of system charges apply different rates in night-time or weekend periods as opposed to other times of the day;
- (b) where the appropriate use of system charges are incorporated into tariffs which restrict availability of supply to specified off-peak periods,

for the avoidance of doubt including the use of system charges under the tariffs specified in paragraph D3 of Part D of Schedule A.

“LV3 units”

means LV units other than LV1 and LV2 units for the avoidance of doubt including the units distributed under the tariffs specified in paragraph D4 of Part D of Schedule A.

“maximum average charge per unit distributed”

means the charge calculated in accordance with the formula in paragraph 1 of Special Condition C (Restriction of distribution charges).

“metered”

means, in relation to any quantity distributed, as measured by a meter installed for such purpose or (where no such meter is installed or it is not reasonably practicable to measure the quantity by such meter) as otherwise reasonably calculated.

“regulated distribution unit category”

means as the case may be HV units or LV1 units or LV2 units or LV3 units.

“regulated distribution revenue”

means distribution revenue except such part thereof as derives from the distribution of EHV units or excluded services.

“regulated quantity distributed”

means the aggregate quantity of units distributed (for any person under use of system) by the licensee through the licensee’s distribution system in relevant year t metered at exit points on leaving the licensee’s distribution system but excluding for this purpose:

- (a) units distributed for the purpose of supply to premises outside the licensee’s distribution services area; and
- (b) EHV units.

“relevant year”

means a financial year commencing on or after 1 April 1990.

| | |
|---|---|
| “relevant year t” | means that relevant year for the purposes of which any calculation falls to be made. |
| “relevant year t-1” | means the relevant year preceding relevant year t or, in respect of the period prior to 1 st April 1990, the period of 12 calendar months commencing on 1 April 1989 and similar expressions shall be construed accordingly. |
| “transmission connection point charges” | means charges levied by a transmission company as connection charges by direct reference to the number or nature of the connections between the licensee’s distribution system and a transmission system and payable by the licensee. |
| “unit” | means a kilowatt hour. |

Special Condition C: Restriction of distribution charges

Basic Formula

1. Without prejudice to Special Condition F (Allowances in respect of security costs), the licensee shall in setting its charges for the provision of distribution services use its best endeavours to ensure that in any relevant year the average charge per regulated unit distributed shall not exceed the maximum average charge per unit distributed calculated in accordance with the following formula:

$$M_{dt} = P_{dt} + PN_{dt} - PM_{dt} - K_{dt}$$

2. For the purposes of paragraph 1, M_{dt} means the maximum average charge per unit distributed in relevant year t .

Formula for P_{dt} as used in paragraph 1

3. For the purposes of paragraph 1 P_{dt} is derived from the following formula:

$$P_{dt} = \frac{(PUM \cdot GR_t \cdot PID_t) + (PL \cdot (AL_t \cdot L_t) \cdot PIL_t) - CDD_t}{D_t}$$

where:

PUM

means an amount equal to £155.9 million.

GR_t

in the eleventh relevant year has the value of 1 and in each subsequent relevant year is derived from the following formula:

$$GR_t = 0.5 \left(\frac{\sum P_{oi} \cdot D_{it}}{\sum P_{oi} \cdot D_{it-1}} + \frac{C_{dt}}{C_{dt-1}} \right) GR_{t-1}$$

where:

Σ

means the summation across all regulated distribution unit categories i as described in the definition of the term P_{oi} .

P_{oi}

means in respect of each regulated distribution unit category i set out below in column 1, the value equal to that amount set opposite that category in column 2.

| Column 1 | Column 2 |
|--|-----------|
| regulated distribution unit category i | Value (p) |
| HV | 0.860 |
| LV1 | 1.521 |
| LV2 | 0.801 |
| LV3 | 1.605 |

D_{it} means that number of units in each regulated distribution unit category i distributed in relevant year t.

D_{it-1} means that number of units in each regulated distribution unit category i distributed in relevant year t-1.

C_{dt} means a notional figure representing the number of customers in the licensee's distribution services area (for the purpose of this term C_{dt} only) for each relevant year, given in the table below.

relevant year beginning:

| | |
|----------------|---------|
| 1st April 1999 | 643,600 |
| 1st April 2000 | 656,500 |
| 1st April 2001 | 663,100 |
| 1st April 2002 | 669,700 |
| 1st April 2003 | 676,400 |
| 1st April 2004 | 683,200 |

provided that for any relevant year t beginning on or after 1st April 2005, C_{dt} shall equal 683,200.

C_{dt-1} means the number equal to C_{dt} in relevant year t-1.

PID_t in the eleventh relevant year has the value of 1 and in each subsequent relevant year is derived from the following formula:

$$PID_t = \left(1 + \frac{RPI_t - Xd_t}{100}\right) PID_{t-1}$$

where:

| | |
|---------|---|
| RPI_t | means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months July to December (inclusive) in relevant year t-1 and the arithmetic average of the Retail Price Index numbers published or determined with respect to the same months in relevant year t-2. |
| Xd_t | shall equal 3. |
| PL | means an amount equal to 2.9p. |
| AL_t | means in respect of relevant year t, allowed distribution losses calculated as provided in paragraph E5 of Part E of Schedule A. |
| L_t | means in respect of relevant year t, adjusted distribution losses calculated as provided in paragraphs E.2 to E4 of Schedule A. |
| PIL_t | is derived from the following formula: $PIL_t = \left(1 + \frac{RPI_t}{100}\right) PIL_{t-1}$ where, for the eleventh relevant year, PIL_{t-1} equals 1. |
| CDD_t | means the amount in relevant year t, calculated as provided in Schedule B. |
| D_t | means the regulated quantity distributed in relevant year t. |

Formula for PN_{dt} as used in paragraph 1

4. For the purposes of paragraph 1, in the eleventh and subsequent relevant years the term PN_{dt} shall be calculated in accordance with the following formula:

$$PN_{dt} = \frac{(PS + PR)PIR_t}{D_t}$$

where:

| | |
|---------|---|
| PS | means an amount equal to £3.25 million for each of the eleventh to the fifteenth relevant years, and thereafter shall be 0. |
| PR | means, in the eleventh and all subsequent relevant years, an amount equal to £1.16 million. |
| PIR_t | is derived from the following formula: |

$$PIR_t = (1 + \frac{RPI_t}{100})PIR_{t-1}$$

where for the ninth relevant year PIR_{t-1} equals 1.

$$M_{dt} = P_{dt} + PN_{dt} - PM_{dt} - K_{dt}$$

Formula for PM_{dt} as used in paragraph 1.

5. For the purposes of paragraph 1, PM_{dt} is derived from the following formula:

$$PM_{dt} = \frac{RM_{dt}}{D_t}$$

where:

RM_{dt}

means an amount equal to the licensee's relevant reduction in costs in relevant year t resulting from the fact that the licensee has ceased to provide meter provision services and meter operation services (as defined in paragraph 1 of standard condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services)) in respect of customers in respect of whom it provided meter provision services and meter operation services at 31 March 2000. The licensee's relevant reduction in costs shall be calculated in real terms, and shall be the amount, if any, by which the licensee's cash operating costs (excluding costs of a non-recurring nature) of providing such services in the relevant year t fall short of the cash operating costs (excluding costs of a non-recurring nature) of providing such services in the tenth relevant year, to the extent that such shortfall is attributable to the fact that the licensee has ceased, since 31 March 2000, to provide (whether directly or through an agent acting on its behalf) meter provision services and meter operation services in respect of such customers. The licensee's relevant reduction in costs shall exclude the amount of any reduction in costs in providing any services which constitute excluded services.

Formula for K_{dt} as used in paragraph 1

6. For the purposes of paragraph 1, K_{dt} means the correction factor per unit (whether of a positive or a negative value) derived, subject to paragraph 3 of Special Condition D (Restriction of distribution charges: adjustments), from the following formula: provided that the value of K_{dt} for the eleventh relevant year shall be the value of K_{dt} arising for that year from the application of the

formula applicable under Schedule 6 to the Generation, Transmission and Public Electricity Supply Licences held immediately prior to the determination day by Scottish and Southern Energy plc in the form of that condition in force on 31 March 2000, but adjusted by adding the amount TA_{dt} (in the case of the licensee, 0.131 (expressed in pounds million)) for the tenth relevant year, calculated by the application of the formula applicable under Schedule 6 of the Generation, Transmission and Public Electricity Supply Licences as then in force:

$$K_{dt} = \frac{R_{dt-1} - (D_{t-1} \cdot M_{dt-1})}{D_t} \left(1 + \frac{I_{dt}}{100}\right)$$

where:

- R_{dt-1} means the distribution revenue in relevant year t-1.
- D_{t-1} means the regulated quantity distributed in relevant year t-1.
- M_{dt-1} means maximum average charge per unit distributed in relevant year t-1.
- I_{dt} means that interest rate in relevant year t which is equal to, where K_{dt} (taking no account of I_{dt} for this purpose) has a positive value, the average specified rate plus 4, or where K_{dt} (taking no account of I_{dt} for this purpose) has a negative value, the average specified rate.

Special Condition D: Restriction of distribution charges: adjustments

1. If, in respect of any relevant year, the average charge per regulated unit distributed exceeds the maximum average charge per unit distributed by more than 3 per cent, the licensee shall furnish an explanation to the Authority and in the next following relevant year the licensee shall not effect any increase in charges for the provision of distribution services unless it has demonstrated to the reasonable satisfaction of the Authority that the average charge per regulated unit distributed would not be likely to exceed the maximum charge per unit distributed in that next following relevant year.
2. If, in respect of any two successive relevant years, the sum of the percentage amounts by which the average charge per regulated unit distributed has exceeded the maximum average charge per unit distributed is more than 4 per cent, then in the next following relevant year the licensee shall, if required by the Authority, adjust its charges such that the average charge per regulated unit distributed would not be likely, in the judgement of the Authority, to exceed the maximum average charge per unit distributed in that next following relevant year.
3. If, in respect of two successive relevant years, the average charge per regulated unit distributed is less than 90 per cent of the maximum average charge per unit distributed, the Authority, after consultation with the licensee, may direct that in calculating K_{dt} for the purposes of paragraph 6 of Special Condition C (Restriction of distribution charges) in respect of the next following relevant year, there shall be substituted for R_{dt-1} in the formula at that paragraph 6 of Special Condition C (Restriction of distribution charges) such figure as the Authority may specify being not less than R_{dt-1} and not more than $0.90 (D_{t-1} \cdot M_{dt-1})$.

Special Condition E: Information to be provided to the Authority in connection with the distribution charge restriction conditions

1. Where the licensee is intending to make any change in charges for the provision of distribution services regulated under Special Condition C (Restriction of distribution charges) the licensee shall (unless otherwise agreed by the Authority) not later than the date of publication of such charges provide the Authority with:
 - (a) a written forecast of the maximum average charge per unit distributed, together with its components, in respect of the relevant year t in which such a change is to take effect and in respect of the next following relevant year $t+1$; and
 - (b) a written estimate of the maximum average charge per unit distributed, together with its components, in respect of the relevant year $t-1$ immediately preceding the relevant year in which the change is to take effect, unless a statement complying with paragraph 7 in respect of relevant year $t-1$ has been furnished to the Authority before the publication of the proposed change.
- 2 [Not in use]
- 3 If within 3 months of the commencement of any relevant year t the licensee has not made any such change in charges as are referred to in paragraph 1, the licensee shall provide the Authority with a written forecast of the maximum average charge per unit distributed, together with its components, in respect of the relevant year t .
3. ~~[Deleted]~~
4. The Authority may issue directions providing that any forecast or estimate provided in accordance with paragraphs 1 or 3 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
5. Not later than six weeks after the commencement of each relevant year t , the licensee shall send to the Authority a statement as to:
 - (a) whether or not the provisions of Special Condition D (Restriction of distribution charges: adjustments) are likely to be applicable in consequence of the average charge per regulated unit distributed in the preceding relevant year $t-1$ or the two preceding relevant years $t-1$ and $t-2$; and
 - (b) its best estimate as to the relevant correction factor K_{dt} to be applied in calculating the maximum average charge per unit distributed in respect of the relevant year t .
- 6 [Not in use]
- 7 Not later than three months after the end of each relevant year the licensee shall send to the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 9.
- 8 The statement referred to in the preceding paragraph shall be:

(a) accompanied by a report from the Auditors that in their opinion (i) such statement fairly presents each of the specified items referred to in paragraph 9 in accordance with the requirements of the charge restriction conditions; and (ii) the amounts shown in respect of each of those specified items are in accordance with the licensee's accounting records which have been maintained in respect of the distribution business in accordance with standard condition 42 (Regulatory Accounts) of this licence; and

(b) ~~certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief having made all reasonable enquiries:~~

~~(i) [deleted];~~

(i) there is no amount included in its calculations under Special Condition C (Restriction of distribution charges) and Schedules A and B which represents other than:

(aa) *bona fide consideration for the provision of distribution services in the course of its distribution business; or*

(bb) an amount permitted under the charge restriction conditions to be so included;

(ii) there is no amount included in its calculations of allowed security costs under Special Condition F (Allowances in respect of security costs) which represents other than an amount permitted under the charge restriction conditions to be so included;

(iii) no service has been treated as an excluded service which was not properly so treated and no amount included in the revenues in respect thereof represents other than *bona fide consideration for the provision of the excluded service to which it relates;*

(iv) all amounts which should properly be taken into account for the purposes of the charge restriction conditions have been taken into account.

9 The specified items to be contained in the statement referred to in paragraph 7 shall be the following:

(a) the regulated quantity distributed;

(b) the quantity distributed in each regulated distribution unit category;

(c) the average charge per regulated unit distributed;

(d) the amount in respect of the terms AL_1 and L_1 in paragraph 3 of Special Condition C (Restriction of distribution charges) calculated as therein provided

- (e) the value of the term TA_{dt} in respect of the tenth relevant year only together with the value of each of the component parts, as detailed in paragraph 6 of Special Condition C (Restriction of distribution charges);
 - (f) the information referred to at paragraph 8 of Special Condition F (Allowances in respect of security costs);
 - (g) the statements and information referred to in paragraphs A5, B2, C7, D1 and E10 of Schedule A.
- 10 Where the Authority issues directions in accordance with paragraph 9 of Special Condition F (Allowances in respect of security costs) or paragraphs A6, B3, C8, D5 or E11 of Schedule A, then such directions shall not have effect from a date earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 7 prior to the issue of the directions related, unless such statement (or the accompanying report or certificate under paragraph 8) or any statement, report or certificate in respect of an earlier relevant year was incorrect or was misleading in any material respect.
- 11 Where the Authority issues such directions as are referred to in the preceding paragraph the Authority may require the licensee to provide a revised statement in respect of such of the specified items as may be affected by the directions, and the licensee shall comply with such request.

Special Condition F: Allowances in respect of security costs

1 At any time during a security period the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the charge restriction conditions as may be specified in the notice for the unexpired term of the security period.

2 ~~At any time during a security period, the Authority may (having regard to its duties under the Act) by means of directions:~~

(a) suspend or modify for the unexpired term of the security period the charge restriction conditions or any part or parts thereof; or

(b) introduce for the unexpired term of the security period new charge restriction conditions

in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate:

(i) to enable the licensee to recover by means of increased charges an amount estimated as being equal to the licensee's allowed security costs during such period; and

(ii) to ensure that such part of the amount referred to in sub-paragraph (i) above as is estimated as being equal to the licensee's allowed security costs incurred by the licensee as costs in its distribution business are recovered by means of appropriate equitable increases in the charges made by the licensee in its distribution business.

and the licensee shall comply with the terms of any directions so issued.

3 At any time following a security period, the Authority may (following such consultation with the licensee and others as the Authority may consider appropriate) issue directions suspending or modifying the charge restriction conditions or any part or parts thereof or replacing such directions as may have been made during the security period and introducing such new charge restriction conditions as in the opinion of the Authority are appropriate in all the circumstances (including, at the Authority's discretion, an appropriate adjustment having regard to any profit gained or foregone by the licensee during the security period), and the licensee shall comply with any directions so issued.

4 At any time within three months after the issue of directions by the Authority under paragraph 3, the licensee may serve on the Authority a disapplication request in respect of such of the charge restriction conditions or any part or parts thereof as are specified in the request.

5 If within three months of the receipt by the Authority of the disapplication request referred to in paragraph 4, the Authority has either not agreed in writing to such disapplication request or has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions, the licensee may deliver one month's written notice to the Authority terminating the application of the charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request.

- 6 Subject to paragraphs 7 and 9, the licensee shall in any relevant year be entitled to recover an aggregate amount equal to the licensee's allowed security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases in the charges made by the licensee in its distribution business.
- 7 Paragraph 6 shall not apply insofar as such allowed security costs:
- (a) were otherwise recovered by the licensee; or
 - (b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 3 above.
- 8 The licensee shall following the end of each relevant year provide to the Authority, as being one of the specified items to be contained in the statement referred to in paragraph 7 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), details in respect of that relevant year of:
- (a) the amount of the licensee's allowed security costs; and
 - (b) the aggregate amounts charged under paragraph 6 on account of the licensee's allowed security costs; and
 - (c) the bases and calculations underlying the increases in charges made in the distribution business under paragraph 6.
- 9 Where the Authority is satisfied that the licensee has recovered amounts in excess of the allowed security costs, the Authority may issue directions requiring the licensee to take such steps as may be specified to reimburse customers of or purchasers from the distribution business (as the case may be) for the excess amounts charged to them, and the licensee shall comply with any directions so issued provided that if the excess amounts relate to the allowed security costs paid to any authorised electricity operator, the licensee shall not be obliged to make any such reimbursement unless and until it has recovered such costs from the relevant authorised electricity operator.
- 10 No amounts charged by the licensee under this Condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the charge restriction provisions of Special Condition C (Restriction of distribution charges).
- 11 In this Condition:

"allowed security cost"

means any cost (whenever arising) incurred by the licensee and approved by the Authority as being directly attributable to actions taken or omitted to be taken by the licensee or by any authorised electricity operator (as the case may be) in consequence of:

- (i) complying with directions issued by the Secretary of State under Section 34(3) or

34(4) of the Act; or

- (ii) implementing recommendations of any committee constituted to advise the Secretary of State as to matters related to his power to issue directions under Section 34 of the Act which are made to and accepted by the Secretary of State in contemplation of circumstances likely to lead to the issue of directions by the Secretary of State under Section 34(3) or 34(4) of the Act;

but for the avoidance of doubt excluding any cost which forms part of Scottish Hydro-Electric Transmission Limited's or SSE Energy Supply Limited's allowed security costs.

"Fuel Security Code"

shall have the meaning given in standard condition 16 (Security Arrangements);

"security period"

means a period commencing on the date on which any direction issued by the Secretary of State under Section 34(4)(b) 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 after having regard to the views of such persons.

Special Condition G: Duration of charge restriction conditions

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.
2. A disapplication request pursuant to this Condition shall
 - (a) be in writing addressed to the Authority,
 - (b) specify the charge restriction conditions (or any part or parts thereof) to which the request relates, and
 - (c) state the date from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect.
3. Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than the date which is the later of:
 - (a) a date being not less than 18 months after delivery of the disapplication request; and,
 - (b) 31 March 2005.
4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such charge restriction conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to the Authority written notice terminating the application of such charge restriction conditions with effect from the disapplication date or a later date.
6. A disapplication request or notice served under this Condition may be served in respect of a specified geographic area.

SCHEDULE A: SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION CONDITIONS

Part A. Principles for Attribution

General Principles

- A1. Where for the purposes of the charge restriction conditions, a share of costs borne by the licensee requires to be attributed to any part of the market, the licensee shall make that attribution on a basis which ensures that no more than a fair proportion of those costs, reflecting the costs incurred by the licensee in supplying that part of the market, are so attributed.
- A2. The following paragraphs of this Part of Schedule A are without prejudice to paragraph A1.

Transmission connection point charges

- A3. The transmission connection point charges requiring to be attributed between the regulated quantity distributed and other quantities distributed shall be attributed in proportion to the transmission connection point capacity or equivalent method required for the purpose of distributing those quantities.

Distribution losses

- A4. Where an amount (in units) in respect of distribution losses requires to be calculated and attributed in respect of EHV units and units distributed by the licensee for the purpose of supply to premises outside the licensee's distribution services area, such calculation and attribution shall be made consistently with the principles underlying the schedule of adjustment factors as referred to at sub-paragraph (b) of paragraph 2 of standard condition 4 (Basis of Charges for Use of Systems and Connection to System: Requirement for Transparency).

Information to be provided by licensee

- A5. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), a statement confirming that the calculation of the transmission connection point charges and of distribution losses was made in accordance with the provisions of this Part of Schedule A.
- A6. Where the Authority is satisfied that the basis of calculation or attribution (as the case may be) used by the licensee is not in conformity with paragraph A1, the Authority may issue directions specifying an alternative basis of calculation or attribution, and the basis of calculation or attribution by the licensee (as the case may be) shall be adjusted accordingly with effect from the date of issue of the directions or (subject to paragraph 10 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in those directions.

Part B. EHV premises

B1. EHV premises shall comprise:

- (a) in relation to premises connected to the licensee's distribution system as at the date this licence entered into force those premises specified in the list of EHV premises notified in writing to the Authority by the licensee within twenty eight days after this licence entered into force; and
- (b) in relation to premises connected to the licensee's distribution system which are either first connected or (having been previously connected) have had their connections materially altered following the date this licence entered into force, means premises connected to the licensee's distribution system at a voltage at or higher than 22 kilovolts or at a sub-station with a primary voltage of 66 kilovolts or above.

B2. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), a statement listing any changes in the premises falling to be treated as EHV premises.

B3. Where the Authority is satisfied that any premises treated by the licensee as being or not being EHV premises should not in conformity with sub-paragraph B1(b) above be so treated, the Authority may issue directions to that effect, and such premises shall cease to be treated as EHV premises from the date of the issue of the directions or (subject to paragraph 10 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in those directions.

Part C. Excluded services

- C1. There may be treated as excluded services provided by the licensee in its distribution business such services in respect of which charges are made which:
- (a) do not fall within paragraph C2 of this Part; and
 - (b) may (subject to paragraph C8) be determined by the licensee as falling under one of the principles set out in paragraphs C3 to C6.
- C2. No service provided by the licensee as part of its distribution business shall be treated as an excluded service insofar as it consists of the provision of services remunerated under use of system charges in accordance with standard condition 4 (Basis of Charges for Use of System and Connection to System: Requirements for Transparency) of this licence including (without prejudice to the foregoing):
- (i) (subject to paragraph C3 of this Part) the transport of electricity;
 - (ii) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges);
 - (iii) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the licensee to comply with standard conditions 5, 9, 9A and 15, the Electricity Supply Regulations 1988 or any regulations made under Section 29 of the Act or any other enactment relating to safety or standards applicable in respect of the distribution business; and
 - (iv) (subject to paragraph C5 of this Part) the provision, installation and maintenance of any meters, switchgear or other electrical plant (not being part of connection charges).
- C3. The licensee may treat as being an excluded service for the purpose of the distribution business the transport of:
- (a) units of electricity not consumed in the licensee's distribution services area; or
 - (b) EHV units, provided that the licensee's charges for the distribution of such units do not exceed the charging rates underlying the information as to EHV revenue and EHV units distributed, given by the licensee to the Authority and used by it for the purposes of setting the term PUM in Special Condition C (Restriction of distribution charges), subject only to such adjustments as may be appropriate in the reasonable opinion of the Authority to reflect material variations between the actual charges made and the charging rates underlying the information as to EHV revenue provided to the Authority by the licensee.
- C4. Charges of the type described in paragraphs 3 and 4 of standard condition 4 (Basis of Charges for Use of System and Connection to System: Requirements for Transparency) and charges in respect of the statements referred to in paragraph 5 of standard condition 4 (Basis of Charges for

Use of System and Connection to System: Requirements for Transparency) may each be treated as excluded services for the purposes of the distribution business.

- C5. A service provided by the licensee as part of its distribution business may be treated as an excluded service in so far as it consists in the provision of services (including metering, electric lines or electrical plant) for the specific benefit of any third party requesting the same and not made available as a normal part of its distribution business remunerated by use of system charges including (without prejudice to the foregoing):
- (i) special metering (including "time of day" metering) to facilitate energy saving programmes for the benefit of customers requesting the same;
 - (ii) charges for moving mains, services or meters forming part of the licensee's distribution system to accommodate extension, re-design or re-development of any premises on which the same are located or to which they are connected;
 - (iii) the provision of electric lines and electrical plant (a) in so far as the same are required for the specific purpose of enabling the provision of top-up or standby supplies or sales of electricity or (b) to provide a higher degree of security than is required for the purposes of complying with standard condition 5 (Distribution System Planning Standard and Quality of Service);
 - (iv) the amount by which charges for the provision of prepayment meters to customers exceed charges for the provision of standard meters for such customers in respect of which the amount receivable per customer shall not exceed that used by the Authority in formulating PUM in Special Condition C (Restriction of distribution charges); (which amount used by the Authority shall be deemed to be zero in respect of the licensee);
 - (v) special metering or telemetry or data processing equipment for the purposes of enabling any person which is a party to the Settlement Agreement for Scotland to comply with its obligations in respect of metering thereunder or for the performance by the licensee of any service in relation thereto.
- C6. There may be treated as an excluded service for the purposes of the distribution business, charges for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Section 9 (1) or Section 16 of the Act) imposed on the licensee.

Information to be provided to the Authority about excluded services

- C7. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), details specifying separately the nature of all services provided as part of the distribution business by the licensee and treated as excluded services by the licensee during the course of such year and stating the revenues derived in respect of each such service so treated.

- C8. Where the Authority is satisfied that in the light of the principles set out in paragraphs C2 to C6 inclusive any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect, and the service or services specified in the directions shall cease to be treated as excluded services from the date of issue of the directions or (subject to paragraph 10 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in the directions.

Part D. Regulated distribution unit categories

- D1. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), details specifying separately those use of system charges in respect of which the licensee has, during the course of such year, treated the units distributed by the licensee as falling within the definition of each of LV1 units and LV2 units and LV3 units respectively.
- D2. The definition of LV1 units includes units distributed under the following tariffs:
1. Domestic Economy Day Units
 2. Farm Economy Day Units
 3. General Economy Day Units
 4. General Evening and Weekend Day Units
 5. Annual Maximum Demand (LV) Day Units
 6. Maximum Demand Tariff (LV) Day Units
- D3. The definition of LV2 units includes units distributed under the following tariffs:
1. Domestic Economy Night Units
 2. Farm Economy Night Units
 3. General Economy Night Units
 4. General Evening and Weekend (Evening and Weekend Units)
 5. Annual Maximum Demand (LV) Night Units
 6. Maximum Demand Tariff (LV) Night Units
 7. Restricted Hours and Crop Drying Units
- D4. The definition of LV3 units includes units distributed under the following tariffs:
1. Domestic Standard
 2. Farm Standard
 3. General Standard
 4. Catering
 5. Public Lighting
 6. LV Monthly and Quarterly Maximum Demand

- D5. Notwithstanding the provisions of paragraphs D2 to D4 above where the Authority is satisfied that a tariff or tariffs in respect of which the licensee has treated the units distributed as falling or not falling within one of the categories in paragraphs D2 to D4 above should not be so treated, the Authority shall issue directions to that effect and the tariff or tariffs specified in the directions shall cease to be so treated from the date of issue of the directions or (subject to paragraph 10 of ~~Special-Condition-E-(Information-to-be-provided-to-the-Authority-in-connection-with-the-charge~~ restriction conditions)) such other date as may be specified in the directions and shall with effect from such date be treated in such manner as may be specified in the directions.

Part E. Calculation of factor in respect of distribution losses

- E1. The terms AL_t and L_t which are used in paragraph 3 of Special Condition C (Restriction of distribution charges) shall each be determined using the consistent methodological basis set out in paragraphs E2 to E5 below.

Consistent methodological basis for determination of AL_t and L_t

- E2. Adjusted distribution losses L_t in respect of relevant year t shall mean the difference between adjusted bulk supply point purchases (calculated as provided in paragraph E3) and adjusted units distributed (calculated as provided in paragraph E4).

- E3. Adjusted bulk supply point purchases shall be obtained by adjusting the units metered on entry to the licensee's distribution system by:

- (a) excluding that number of units which is equal to the sum of:

- (i) EHV units; and
- (ii) units distributed by the licensee for the purpose of supply to premises outside the licensee's distribution services area; and
- (iii) an amount in respect of distribution losses between the bulk supply point and the exit point attributable to the units referred to in (i) and (ii) above, as determined in accordance with the schedule of adjustment factors referred to at sub-paragraph (b) of paragraph 2 of standard condition 4 (Basis of Charges for Use of System and Connection to System: Requirements for Transparency); and

- (b) including an amount (in units) to represent the effect of units entering the licensee's distribution system otherwise than at bulk supply points, being the difference between the number of units so entering and the number of units that would have been required to have entered at bulk supply points in their absence (such latter number of units calculated consistently with the principles in respect of distribution losses referred to at sub-paragraph (b) of paragraph 2 of standard condition 4 (Basis of Charges for Use of System and Connection to System: Requirements for Transparency)).

- E4. Adjusted units distributed shall be obtained by:

- (a) calculating all units distributed by the licensee metered during relevant year t at exit points on leaving the licensee's distribution system; and
- (b) deducting therefrom EHV units delivered or deemed to be delivered during relevant year t and units distributed during relevant year t for the purpose of supply to premises outside the licensee's distribution services area; and
- (c) adding thereto an amount equal to the units consumed during relevant year t on the licensee's premises in the distribution services area (insofar as not otherwise taken into account in determining units distributed under sub-paragraph (a) above).

E5. The allowed distribution losses AL_t in relevant year t shall be obtained by:

- (a) ascertaining the adjusted units distributed in accordance with paragraph E4;
- (b) multiplying the resulting adjusted units figure by the aggregate of adjusted distribution losses (calculated as provided in paragraph E2) over the 10 preceding relevant years; and
- (c) dividing the product by the aggregate of adjusted units distributed over the same preceding relevant years.

E6. [Not in use].

E7. [Not in use].

E8. [Not in use].

Information to be provided to the Authority

E9. The licensee shall within three months after the entry into force of this licence furnish to the Authority a statement showing the initial relevant loss percentage and the underlying calculations.

E10. The licensee shall, following the end of each relevant year, furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), a statement showing adjusted distribution losses for that relevant year, accompanied by the underlying calculations and (where appropriate) an explanation of any changes in the basis of calculation or estimation thereof.

E11. Where the Authority is satisfied that any statement or underlying calculation provided has not been drawn up in conformity with paragraphs E2 to E5 above, the Authority may issue directions, and the statement or underlying calculation shall be adjusted with effect from the date of issue of the directions or (subject to paragraph 10 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in the directions.

SCHEDULE B: Special provisions for hydro benefit payments received by the distribution business from the generation business

1. This Schedule sets out the annual amount or basis for arriving at the annual amount and terms of payment, if any, to be made by the generation business to the distribution business and which shall be included in the calculation of the licensee's price control.
2. This Schedule also applies for the purposes of securing that the accounting statements prepared by the licensee for the purposes of standard condition 42 (Regulatory Accounts) of Part II show the payment, if any, made from the generation business to the distribution business for the purposes of ensuring that some of the benefit of low operating costs, which may or may be deemed to exist in respect of the hydro generation assets is used to offset the high costs of distribution in the distribution services area.
3. The accounting statement to be prepared for the purposes of standard condition 42 (Regulatory Accounts) of Part II in respect of any relevant year commencing on 1 April shall include the receipt by the distribution business of the amount of hydro benefit, if any, in respect of that year.
4. The amount of hydro benefit for receipt by the distribution business (CDD_t) in relevant year t shall be calculated as follows:

CDD_t means the greater of zero or $\alpha [(PU_t \cdot UV) - (AW_t + BX_t)]$

where

α equals 1

PU_t means a notional figure representing the assumed price of the assumed output (UV) from the hydro-electric power stations (in £/kWh) in relevant year t given by the formula

$$PU_t = 0.0299 \cdot JYY_t$$

where

for the relevant year commencing on 1 April 2000, JYY_t equals 1; and

for subsequent relevant years:

$$JYY_t = \frac{JYY_{t-1} \cdot (JY_t)}{(JY_{t-1})}$$

where,

JY_{t-1} equals, for the relevant year commencing 1 April 2001, the value given by application of the following formula (JY_{t-1} Formula 1):

$$JY_{t-1} = 5.06 + \frac{1}{14} \sum_i \{0.015.(DF_{SDt-1} + TF_{SDt-1})\},$$

provided, however, that if the value given by use of JY_{t-1} Formula 1 is 3 per cent more than the value obtained from the application of the following formula (JY_{t-1} Formula 2), in respect of the same relevant year,

$$JY_{t-1} = \frac{1}{14} \sum_i \left\{ \frac{\frac{PF_{SDt}}{1 + \frac{FF_i}{100}}}{1 + \frac{FF_i}{100}} - DF_{SDt-1} - TF_{SDt-1} \right\},$$

then the value of JY_{t-1} shall be determined by the arithmetic average of the values obtained from Formula 1 and Formula 2 or shall otherwise be determined by the Authority;

and

in all subsequent relevant years JY_{t-1} means the value of JY_t for the previous relevant year;

JY_t equals, for the relevant year commencing 1 April 2001 and any subsequent relevant years, the value given by the following formula:

$$\frac{1}{14} \sum_i \left\{ \frac{\frac{PF_{SDt}}{1 + \frac{FF_i}{100}}}{1 + \frac{FF_i}{100}} - DF_{SDt-1} - TF_{SDt-1} \right\}$$

where

Σ means the summation of the charges across all of the Former PES Suppliers in respect of the Former PES Areas;

PF_{SDt} means a sum representing the average unit price for the Standard Domestic Charge of each Former PES Supplier calculated as follows, using the Former PES Supplier's published rates for that

charge, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \cdot \text{Primary Unit rate}) + ((3300 - B1_{SD}) \cdot \text{Secondary Unit rate})) / 3300$$

where the value of $B1_{SD}$ is taken from Column 2 of Annexe C.

DF_{SDt} means a sum representing the distribution use of system charges charged by each Former PES Supplier in the relevant year commencing on 1 April 2000, and in subsequent relevant years, in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(DF_{1SDt} + (3300 \cdot DF_{2SDt})) / 3300$$

where

DF_{1SDt} is the distribution use of system charge annual standing charge in pence per annum

DF_{2SDt} is the distribution use of system charge in respect of each unit consumed by that customer.

TF_{SDt} means in respect of each Former PES Supplier in England and Wales:

the value calculated in accordance with the following formula, provided that if NGC changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of TF_{SDt} such that the Former PES Supplier is neither advantaged nor disadvantaged by the change:

$$TF_{SDt} = TNUOS \cdot 0.1859 \cdot \text{Loss Adjustment Factor}$$

where

'TNUOS' is the transmission network use of system charge (expressed in pounds per kW) published for the relevant year commencing on 1 April 2000 and for the zone relevant to the Former PES Supplier in England and Wales, as set out in the statement provided for in Condition 10 of the Transmission Licence held by NGC; and

“Loss Adjustment Factor” means the factor shown against the Former PES Supplier’s name in column 2 of Annexe B; and

in respect of each Former PES Supplier in Scotland:

means a sum representing the transmission use of system charges charged by the Former PES Supplier in the relevant year commencing on 1 April 2000, in supplying a customer on a Standard Domestic Charge given by the following formula :

$$TF_{SDt} = (TF_{1SDt} + (3300 . TF_{2SDt})) / 3300$$

where

TF_{1SDt} is the transmission use of system charge annual standing charge;

TF_{2SDt} is the transmission use of system charge in respect of each unit consumed by that customer.

FF_{it} means the rate of the fossil fuel levy payable from time to time by the Former PES Supplier;

$UV = 3,200$ being the assumed output of the hydro-electric power stations (expressed in GWh).

AW_t means a notional figure representing the operating cost (in £ million) of the hydro-electric power stations in relevant year t given by the following formula

$$AW_t = AW_{t-1} . (1 + \frac{RPI_t}{100})$$

where, for the relevant year commencing on 1 April 2000, AW_t is equal to 39.7;

BX_t means a notional figure representing capital expenditure and rate of return (in £ million) of the hydro-electric power stations in relevant year t given by the formula:

$$BX_t = BX_{t-1} . LZZ_t$$

where, in the relevant year commencing on 1 April 2000, BX_t is equal to 16.9 and LZZ_t is equal to 1; and

in subsequent relevant years LZZ_t is given by the following formula:

$$\frac{LZZ_t = LZZ_{t-1} \cdot (LZ_{t-1})}{(LZ_{t-2})}$$

where LZ_t is the figure for October in the relevant year t in Table 1 4010 ("Production and Distribution of Electricity"), in the publication "Current Cost Accounting" published by the Office of the National Statistics.

5. The distribution business shall provide to the Authority and to Scottish Hydro-Electric Transmission Limited an estimate of the set of values and calculations used to derive estimated values for CDD_t for each relevant year t commencing on or after 1 April 2001, no later than 10 February of the preceding relevant year $t-1$.
6. (a) In each relevant year t commencing on or after 1 April 2001, the distribution business shall no later than 10 January of the relevant year provide to the Authority for its approval and to the generation business for its information the calculation and value of CDD_t . The distribution business shall provide the calculation and value of CDD_t (as approved by the Authority) to the generation business no later than five days after its approval by the Authority.
- (b) In the event that the Authority has not approved the calculation and value of CDD_t provided by the distribution business or has failed to agree an alternative calculation and value with the distribution business by 20 March payment of the value proposed shall be made by the generation business by 31 March as a provisional measure, pending finalisation and approval by the Authority of the calculation and value of CDD_t .
7. For the avoidance of doubt the accounting transfers to be shown in accordance with paragraph 3 shall be in addition to, and without prejudice to, any other provisions which fall to be made in the accounting statements for the distribution business in order for such statements to comply with requirements contained in standard condition 42 (Regulatory Accounts) of Part II.
8. In this Schedule, unless otherwise specified or the context otherwise requires:
 - (a) all prices and revenue shall exclude value added tax (if any);
 - (b) the following expressions shall have the following meanings:

"distribution business" means a business of the licensee, or in relation to sub-paragraphs (a) and (b) below, any business of any affiliate or related undertaking of the licensee (whether the business is undertaken by the licensee or another licence holder), comprising:

- (a) the distribution of electricity through the licensee's

distribution system, including any business in providing connections to such system;

- (b) the provision of the services specified in sub-paragraphs (c) and (d) of paragraph 1 of standard condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services); and

- (c) the provision of the services specified in sub-paragraphs (a) and (b) of paragraph 1 of standard condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services),

or any business ancillary thereto.

"Former PES Areas" means the authorised supply areas as at immediately before the Determination Day of the fourteen electricity suppliers listed in column 1 of Annexe A. ;

"Former PES Supplier" means the fourteen electricity suppliers listed in column 1 of Annexe A;

"Former Tariff Customers Schemes" Means the scheme made by the [insert name of company making Scheme] under paragraph 23 of Schedule 7 to the Utilities Act 2000;

"generation business" means the business of the generation licensee or any affiliate or related undertaking of the generation licensee in the generation of electricity from hydro-electric power stations as at the determination day;

"generation licensee" means SSE Generation Limited

"output from/of the hydro-electric power stations" means the output of conventional hydro electric power stations in the licensee's distribution services area (for the avoidance of doubt excluding Cruachan and Foyers) and owned by the generation licensee or any affiliate or related undertaking of the generation licensee (including an allocation of 400 GWh per annum contracted to ScottishPower Generation Limited).

"Prompt Payment Discount" means any discount or reduction given in respect of the relevant year (quantified on the assumption of 3300 kWh annual consumption for Standard Domestic Charge), for the prompt or timely payment of bills by cash or cheque compared with the charge which would be made where payment is not made in that manner;

"Standard Domestic Charge" means that charge determined by a Former PES Supplier pursuant to its Former Tariff Customers Scheme specified against the name of each Former PES Supplier in column 2 of

Annexe A in the tenth relevant year and in subsequent relevant years;

"transmission
business"

means the authorised business of the Scottish Hydro-Electric Transmission Limited or any affiliate or related undertaking of the Scottish Hydro-Electric Transmission Limited in the planning, development, construction and maintenance of Scottish Hydro-Electric Transmission Limited's transmission system (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Act) and the operation of such system for transmission by Scottish Hydro-Electric Transmission Limited including any business in providing connections to Scottish Hydro-Electric Transmission Limited's transmission system, but shall not include any other business (whether or not a separate business) of Scottish Hydro-Electric Transmission Limited or any affiliate or related undertaking of Scottish Hydro-Electric Transmission Limited in the provision of services to or on behalf of any one or more persons.

"Transmission
Licence"

has the meaning given in standard condition 1 (Definitions and Interpretation) of this licence;

"NGC"

means The National Grid Company plc.

Annexe A

| Column 1 | Column 2 |
|----------------------------------|--------------------------------------|
| | Standard Domestic Charge |
| Eastern | Domestic General Tariff: Table 2 |
| East Midlands | Standard Tariff |
| London | General Purpose Rate (Quarterly) |
| Manweb | Domestic 'S' |
| Midlands | D1 Domestic Credit Meter Tariff |
| Northern | Standard Domestic Tariff (D1) |
| NORWEB | D13 Domestic Tariff |
| SEEBOARD | Standard Domestic |
| Southern | General Tariff (Quarterly) |
| SWALEC | Domestic Standard Tariff (Quarterly) |
| South Western | Domestic Tariff |
| Yorkshire | General Domestic (GD) |
| Scottish Power plc | Domestic |
| Scottish and Southern Energy plc | Domestic Standard |

Annexe B

Peak loss adjustment factors

| Column 1 | Column 2 |
|---------------|----------|
| Eastern | 1.0877 |
| East Midlands | 1.0893 |
| London | 1.0931 |
| Manweb | 1.1487 |
| Midlands | 1.0880 |
| Northern | 1.0938 |
| NORWEB | 1.0933 |
| SEEBOARD | 1.0975 |
| Southern | 1.0870 |
| SWALEC | 1.0915 |
| South Western | 1.0839 |
| Yorkshire | 1.1016 |

Annexe C

Band blocks for Eastern, Northern and Southern

| Column 1 | Column 2 |
|------------------------------|------------------|
| | B1 _{SD} |
| Eastern | 2283 |
| East Midlands | 3300 |
| London | 3300 |
| Manweb | 3300 |
| Midlands | 3300 |
| Northern | 2272 |
| NORWEB | 3300 |
| SEEBOARD | 728 |
| Southern | 2809 |
| SWALEC | 3300 |
| South Western | 3300 |
| Yorkshire | 3300 |
| Scottish Power plc | 3300 |
| Scottish and Southern Energy | 3300 |

Special Condition H: Arrangements relating to supplies to premises within the licensee's distribution services area

1. The licensee shall, as soon as practicable and, in any event, not later than such date as the Authority shall specify, establish relevant supply arrangements.
2. The licensee shall implement and comply with the relevant supply arrangements.
3. The licensee shall, in consultation with relevant suppliers, periodically review (including upon the request of the Authority) the relevant supply arrangements. Following any such review, the licensee shall send to the Authority:
 - (a) a report on the outcome of such review;
 - (b) any proposed revisions to the relevant supply arrangements as the licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objective referred to in sub-paragraph (a) of paragraph 10; and
 - (c) any written representations or objections from relevant suppliers (including any proposals by such suppliers for revisions to the relevant supply arrangements established in accordance with paragraph 1 not accepted by the licensee in the course of the review) arising during the consultation process and subsequently maintained.
4. Revisions to the relevant supply arrangements established in accordance with paragraph 1 proposed by the licensee and sent to the Authority pursuant to paragraph 3 shall require to be approved by the Authority.
5. Having regard to any written representations or objections referred to in sub-paragraph (c) of paragraph 3, and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the licensee to revise the relevant supply arrangements in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.
6. The licensee shall give or send a copy of the relevant supply arrangements to the Authority.
7. The licensee shall (subject to paragraph 8) give or send a copy of the relevant supply arrangements to any person requesting the same.
8. The licensee may make a charge for any copy given or sent pursuant to paragraph 7 of an amount which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued by the Authority.
9. In establishing, implementing and complying with the relevant supply arrangements the licensee shall not unduly discriminate against or prefer any one or any group of persons in favour of or as against any one other or any other group of persons.
10. In this Condition:

| | |
|--------------------------------|--|
| "relevant supply arrangements" | means arrangements which the Authority shall agree to be the most appropriate for securing the objective of eliminating barriers to the economic and efficient supply of electricity by relevant suppliers to relevant premises caused by relevant constraints (and, where the context admits, it means such arrangements as from time to time revised). |
| "relevant supplier" | means a person authorised to supply electricity to relevant premises by a licence granted under Section 6(1)(d) of the Act. |
| "relevant premises" | means premises situated within the licensee's distribution services area. |
| "relevant constraints" | means constraints arising from the costs of implementing technical arrangements for ensuring that the amount of electricity which is delivered by or for a relevant supplier into a system at any given time for the purpose of giving a supply to any relevant premises matches the level of demand of these relevant premises at that time. |
| "system" | <i>means the distribution system of the licensee or any other distribution licensee or the transmission system of an affiliate or related undertaking of the licensee or any other transmission licensee.</i> |

Special Condition I: The Settlement Agreement for Scotland

1. The licensee shall use its best endeavours, in conjunction and co-operation with SP Distribution Limited:
 - (a) to establish, or to procure the establishment by a third party of, a system (the "settlement system") which shall - to the extent required to facilitate the proper functioning of arrangements established in accordance with Special Condition H (Arrangements relating to supplies to premises within the licensee's distribution services area), or as otherwise agreed by the licensee and SP Distribution Limited-fulfil the objects set out at paragraph 2;
 - (b) subsequently to operate and maintain, or to procure the subsequent operation and maintenance by a third party of, the settlement system;
 - (c) to prepare (or procure the preparation of) a form of agreement, to be known as the Settlement Agreement for Scotland, which shall contain terms on which the settlement system will be made available and shall comply with the other requirements of this Condition; and
 - (d) to offer (or procure that a third party offers) to make available the settlement system, pursuant to and in accordance with the Settlement Agreement for Scotland, to any person applying for the use of such system who is an electricity supplier or portfolio generator or is otherwise an appropriate user of the system in accordance with the objects set out at paragraph 2.
2. The objects set out at this paragraph are:
 - (a) to enable electricity suppliers, other than Scottish Power Energy Retail Limited and SSE Energy Supply Limited, to have their volumetric purchases of electricity from portfolio generators and from parties to the Balancing and Settlement Code correctly allocated to them;
 - (b) to enable electricity suppliers, other than Scottish Power Energy Retail Limited and SSE Energy Supply Limited, and portfolio generators, other than Scottish Power Generation Limited and SSE Generation Limited, to have their volumetric residual electricity requirements and provisions correctly allocated to them;
 - (c) to enable electricity suppliers to have their volumetric supplies of electricity to customers correctly allocated to them;
 - (d) to facilitate the calculation of accurate information regarding the aggregate amount of electricity provided to Scottish Power Energy Retail Limited by Scottish Power Generation Limited in its capacity as a portfolio generator and to SSE Energy Supply Limited by SSE Generation Limited in its capacity as a portfolio generator;
 - (e) to provide for such other matters ancillary to those specified in sub-paragraphs (a) to (d) as are or may be appropriate to facilitate competition in electricity supply in Scotland.

3. The Settlement Agreement for Scotland shall provide - to the extent required to facilitate the proper functioning of arrangements established in accordance with Special Condition H (Arrangements relating to supplies to premises within the licensee's distribution services area), or as otherwise agreed by the licensee and SP Distribution Limited- for the fulfilment of the objects set out at paragraph 2, and shall also comprise provisions (which shall require to be approved in advance by the Authority):

- (a) ~~which relate to the level and method of recovery of charges payable by parties to the~~ Settlement Agreement for Scotland in respect of the establishment, operation and maintenance of the settlement system, such charges to be set so as to reflect the Authority's estimate of the reasonable costs of efficiently establishing, operating and maintaining such a system;
- (b) which provide for the variation of the Settlement Agreement for Scotland following consultation with the parties, or representatives of the parties, to that agreement; and
- (c) by virtue of which the whole or (following consultation with representatives of all of the parties to the agreement) specified parts of the Settlement Agreement for Scotland shall not be capable of variation without the prior approval of the Authority.

4. The licensee shall be a party to and shall comply with the provisions of the Settlement Agreement for Scotland.

5. In this Condition:

"portfolio generator" means any person who:

- (a) is authorised to generate electricity and owns or operates a generating station situated in Scotland; or
- (b) is authorised to generate or supply electricity and is contracted to purchase the output of one or more generating stations situated in Scotland.

SCHEDULE 1
SPECIFIED AREA

Great Britain

1. If any part of the specified area is designated under a subsequent licence granted under section 6(1)(c) of the Act, such part shall be excluded from the specified area.

SCHEDULE 2

REVOCATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(g)) in writing to the licensee:
 - ~~(a) if the licensee agrees in writing with the Authority that the licence should be revoked;~~
 - (b) if any amount payable under standard condition 3 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
 - (ii) an order made by the court under section 34 of the Competition Act 1998.
 - (e) if the licensee has not within 5 years after the date on which this licence comes into force, commenced the distribution of electricity to any of the premises within the area specified in Schedule 1 to this licence;
 - (f) if the licensee has ceased to distribute electricity to all of the premises within the area specified in Schedule 1 to this licence for a period of 5 years;

- (g) if the licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this Schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
 - (h) if the licensee is convicted of having committed an offence under section 59 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(g)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£100,000” or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
 3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(g)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

SCHEDULE 3

DISTRIBUTION SERVICES AREA

1. The area specified in SI 1990 No.506 (S.64) The Electricity Act 1989 (North of Scotland Specified Area) Order 1990 made under section 3(2)(a) of the Act.
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ANNEXE 4
ENGLISH DISTRIBUTION LICENCE

PART I

TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(c) of the Electricity Act 1989 ("the Act") authorises Southern Electric Power Distribution plc (company registered in England & Wales under number 4094290 ("the licensee") whose registered office is situated at Westacott Way, Littlewick Green, Maidenhead, Berkshire, SL6 3QB to distribute electricity for the purpose of giving a supply to any premises or enabling a supply to be so given in the area specified in Schedule 1 during the period specified in paragraph 3 below, subject to –
 - (a) the standard conditions of electricity distribution licences referred to in Part II below which shall have effect in the licence subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the Special Conditions"); and
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the Special Conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, the Special Conditions or the conditions.
3. This licence, unless revoked in accordance with Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109(1) of the Act (Service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "the licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of and the Schedules to this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.
7. Pursuant to paragraph 5 of standard condition 2 (Application of Section C (Distribution Services Obligations)) of the Electricity Distribution licence the "distribution services area" is specified in Schedule 3 hereto.

Pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28th September 2001 this licence was made and is treated as granted under section 6(1)(c) of the Electricity Act 1989.

PART II

THE STANDARD CONDITIONS

Standard conditions in effect in this licence

| Section A | Section B | Section C |
|----------------------|------------------------|------------------------|
| Standard condition 1 | Standard condition 4 | Standard condition 32 |
| Standard condition 2 | Standard condition 4A | Standard condition 32A |
| Standard condition 3 | Standard condition 4B | Standard condition 34 |
| | Standard condition 4C | Standard condition 35 |
| | Standard condition 5 | Standard condition 36 |
| | Standard condition 6 | Standard condition 36A |
| | Standard condition 7 | Standard condition 36B |
| | Standard condition 8 | Standard condition 36C |
| | Standard condition 9 | Standard condition 37 |
| | Standard condition 9A | Standard condition 38 |
| | Standard condition 10 | Standard condition 39 |
| | Standard condition 11 | Standard condition 40 |
| | Standard condition 12 | Standard condition 41 |
| | Standard condition 12A | Standard condition 42 |
| | Standard condition 13 | Standard condition 42A |
| | Standard condition 14 | Standard condition 43 |
| | Standard condition 15 | Standard condition 44 |
| | Standard condition 16 | Standard condition 45 |
| | Standard condition 17 | Standard condition 46 |
| | Standard condition 18 | Standard condition 47 |
| | Standard condition 19 | Standard condition 48 |
| | Standard condition 20 | Standard condition 49 |
| | Standard condition 21 | |
| | Standard condition 22 | |
| | Standard condition 23 | |
| | Standard condition 24 | |
| | Standard condition 25 | |
| | Standard condition 26 | |
| | Standard condition 29 | |

Note: A copy of the current standard conditions of electricity distribution licences can be inspected at the principal office of the Authority. The above list is correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

PART III
AMENDMENTS TO STANDARD LICENCE CONDITIONS

PART IV
SPECIAL CONDITIONS

Special Condition A: Definitions

1. This Condition and Special Conditions B to F and Schedule A only apply to the distribution services area (as defined in standard condition 1 (Definitions and Interpretation)) of the licensee.
2. Unless the context otherwise requires words and expressions used in the standard conditions of this licence shall bear the same meaning in these Special Conditions.
3. In this Condition and in Special Conditions B to F and Schedule A:

“attributed” means when used in relation to transmission connection point charges or remote transmission asset rentals or distribution losses, attributed in accordance with the principles set out in Part A of Schedule A and attribute, attributed, attributable and attribution shall be construed accordingly.

“average charge per unit distributed” means the distribution revenue in the relevant year divided by the regulated quantity distributed in that year.

“average specified rate” means the average of the daily base rates of Barclays Bank plc current from time to time during the period in respect of which the calculation falls to be made.

“charge restriction conditions” means Special Conditions A to F inclusive together with Schedule A to this licence, as from time to time modified or replaced in accordance with the provisions of the Act.

“distribution losses” means units unaccounted for on the licensee’s distribution system, measured as being the difference between the units metered on entry into the system and the units metered on leaving the system.

“distribution revenue” means the revenue (measured on an accruals basis) derived by the licensee from the provision of distribution services in the relevant year, after deduction of:

- (i) an amount equal to such part of the total amount payable in that relevant year to the transmission company (measured on an accruals basis) in respect

of transmission connection point charges and remote transmission asset rentals and which would otherwise be included in distribution revenue by reason of being recovered in that relevant year by the licensee in its use of system charges, as falls to be attributed to the regulated quantity distributed in that relevant year; and

- (ii) value added tax (if any) and any other taxes based directly on the amounts so derived.

| | |
|--------------------------|---|
| "distribution services" | means all services provided by the licensee as part of its distribution business other than excluded services. |
| "EHV premises" | means those premises to which units are delivered by the licensee which fall to be treated as EHV premises in accordance with Part B of Schedule A. |
| "EHV units" | means units distributed by the licensee which are delivered or deemed to be delivered to EHV premises. |
| "eleventh relevant year" | means the relevant year commencing 1 st April 2000. |
| "excluded services" | means those services provided by the licensee which in accordance with the principles set out in Part C of Schedule A fall to be treated as excluded services. |
| "HV units" | means units (other than EHV units) distributed by the licensee which are delivered to premises connected to the licensee's distribution system at a voltage at or higher than 1000 volts. |
| "LV units" | means units distributed by the licensee which are delivered to premises connected to the licensee's distribution system at a voltage less than 1000 volts. |
| "LV1 units" | means LV units which are distributed by the licensee outside night-time periods to domestic premises or small premises (other than domestic premises) where the appropriate use of system charges apply different rates in night-time periods as opposed to other times of day, for the avoidance of doubt including the use of system charges under the tariffs specified in paragraph D2 of Part D of Schedule A. |
| "LV2 units" | means LV units which are distributed by the licensee to domestic premises or small premises (other than domestic |

premises):

- (a) During night-time periods, where the appropriate use of system charges apply different rates in night-time periods as opposed to other times of the day; or
- (b) Where the appropriate use of system charges are incorporated into tariffs which restrict availability of supply to specified off-peak periods,

for the avoidance of doubt including the use of system charges under the tariffs specified in paragraph D3 of Part D of Schedule A.

“LV3 units”

means LV units other than LV1 and LV2 units, for the avoidance of doubt including units distributed under the tariffs specified in paragraph D4 of Part D of Schedule A.

“maximum average charge per unit distributed”

means the charge calculated in accordance with the formula in paragraph 1 of Special Condition B (Restriction of distribution charges).

“metered”

means, in relation to any quantity distributed as measured by a meter installed for such purpose or (where no such meter is installed or it is not reasonably practicable to measure the quantity by such meter) as otherwise reasonably calculated.

“regulated distribution unit category”

means as the case may be HV units or LV1 units or LV2 units or LV3 units.

“regulated quantity distributed”

means the aggregate quantity of units distributed (for any person under use of system) by the licensee through the licensee’s distribution system in relevant year t metered at exit points on leaving the licensee’s distribution system but excluding for this purpose:

- (a) Units distributed for the purpose of supply to premises outside the licensee’s distribution services area; and

- (b) EHV units.

“relevant year”

means a financial year commencing on or after 1st April 1990.

| | |
|---|--|
| "relevant year t" | means that relevant year for the purposes of which any calculation falls to be made; |
| "relevant year t-1" | means the relevant year preceding relevant year t or, in respect of the period prior to 1st April 1990, the period of 12 calendar months commencing on 1st April 1989 and similar expressions shall be construed accordingly. |
| "remote transmission asset rental" | means any rent or other periodic payment payable by the distribution business of the licensee to the transmission company in respect of remote transmission assets forming part of the licensee's distribution system. |
| "transmission connection point charges" | means charges levied by the transmission company as connection charges by direct reference to the number or nature of the connections between the licensee's distribution system and the transmission system and payable by the distribution business of the licensee. |
| "unit" | means a kilowatt hour. |

4. Any reference in these Special Conditions to -

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity distribution licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity generation licences;
- (e) a provision of the standard conditions of electricity transmission licences;

shall, 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.

Special Condition B: Restriction of distribution charges

Basic Formula

1. Without prejudice to Special Condition E (Allowances in respect of security costs), the licensee shall in setting its charges for the provision of distribution services use its best endeavours to ensure that in any relevant year the average charge per unit distributed shall not exceed the maximum average charge per unit distributed calculated in accordance with the following formula:

$$M_{dt} = P_{dt} + PN_{dt} - PM_{dt} - K_{dt}$$

2. For the purposes of paragraph 1, M_{dt} means the maximum average charge per unit distributed in relevant year t .

Formula for P_{dt} as used in paragraph 1

3. For the purposes of paragraph 1, P_{dt} is derived from the following formula:

where:

$$P_{dt} = \frac{(PUM \cdot GR_t \cdot PID_t) + (PL \cdot (AL_t \cdot L_t) \cdot PIL_t)}{D_t}$$

PUM means the amount set against that term in the part of Annexe A to this Condition that applies to the licensee.

GR_t in the eleventh relevant year has the value of 1 and in each subsequent relevant year is derived from the following formula:

$$GR_t = 0.5 \left(\frac{\sum P_{oi} \cdot D_{it}}{\sum P_{oi} \cdot D_{it-1}} + \frac{C_{dt}}{C_{dt-1}} \right) GR_{t-1}$$

where

Σ means the summation across all regulated distribution unit categories i as described in the definition of the term P_{oi} .

P_{oi} means, in respect of each regulated distribution unit category i set out in column 1 under that term in the part of Annexe A to this Condition which applies to the licensee, the value opposite that category in column 2.

D_{it} means that number of units in each regulated distribution unit category i distributed in relevant year t .

D_{it-1} means that number of units in each regulated distribution unit category i distributed in relevant year $t-1$.

C_{dt} means a notional figure, representing the number of customers in the licensee's distribution services area (for the purpose of this term C_{dt} only) for each relevant year, given in the table appearing under that term in the part of Annexe A to this Condition that applies to the licensee.

C_{dt-1} means the number equal to C_{dt} in relevant year $t-1$.

PID_t in the eleventh relevant year has the value of 1 and in each subsequent relevant year is derived from the following formula:

$$PID_t = \left(1 + \frac{RPI_t - Xd_t}{100}\right) PID_{t-1}$$

where

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months July to December (inclusive) in relevant year $t-1$ and the arithmetic average of the Retail Price Index numbers published or determined with respect to the same months in relevant year $t-2$.

Xd_t shall equal 3.

PL means an amount equal to 2.9p.

AL_t means an amount (in units) representing allowed distribution losses in relevant year t , being the allowed percentage of the adjusted units distributed (calculated as provided in paragraph E5 of Part E of Schedule A) where, in respect of each relevant year t , the allowed percentage shall equal that percentage which the aggregate of adjusted

distribution losses (calculated as provided in paragraphs E2 to E5 of Part E of Schedule A) over the 10 preceding relevant years bears to the aggregate of adjusted units distributed (calculated as aforesaid) over the corresponding relevant years

L_t means in respect of relevant year t , adjusted grid supply point purchases less adjusted units distributed (calculated as provided in paragraphs E2 to E5 of Part E of Schedule A).

PIL_t is derived from the following formula:

$$PIL_t = (1 + \frac{RPI_t}{100}) PIL_{t-1}$$

where, for the eleventh relevant year, PIL_{t-1} equals 1.

D_t means the regulated quantity distributed in relevant year t .

Formula for PN_{dt} as used in paragraph 1

4. For the purposes of Paragraph 1, in the eleventh and subsequent relevant years the term PN_{dt} shall be calculated in accordance with the following formula:

$$PN_{dt} = \frac{(PS + PR) PIR_t}{D_t}$$

where:

PS means an amount equal to £3.25 million for each of the eleventh to the fifteenth relevant years, and thereafter shall be 0.

PR means, in the eleventh and all subsequent relevant years, the amount given against the licensee's name in Annexe B to this Condition.

PIR_t is derived from the following formula:

$$PIR_t = (1 + \frac{RPI_t}{100}) PIR_{t-1}$$

where for the ninth relevant year PIR_{t-1} equals 1

Formula for PM_{dt} as used in Paragraph 1

5. For the purposes of paragraph 1, PM_{dt} is derived from the following formula:

$$PM_{dt} = \frac{RM_{dt}}{D_t}$$

where:

RM_{dt}

means an amount equal to the licensee's relevant reduction in costs in relevant year t , resulting from the fact that the licensee has ceased to provide meter provision services and meter operation services (as defined in paragraph 1 of standard condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services)) in respect of customers in respect of whom it provided meter provision services and meter operation services at 31 March 2000. The licensee's relevant reduction in costs shall be calculated in real terms, and shall be the amount, if any, by which the licensee's cash operating costs (excluding costs of a non-recurring nature) of providing such services in the relevant year t fall short of its cash operating costs (excluding costs of a non-recurring nature) of providing such services in the tenth relevant year, to the extent that such shortfall is attributable to the fact that the licensee has ceased, since 31 March 2000, to provide (whether directly or through an agent acting on its behalf) meter provision services and meter operation services in respect of such customers. The licensee's relevant reduction in costs shall exclude the amount of any reduction in costs in providing any services which constitute excluded services.

Formula for K_{dt} as used in Paragraph 1

6. For the purposes of paragraph 1, K_{dt} means the correction factor per unit (whether of a positive or a negative value) derived, subject to paragraph 3 of Special Condition C (Restriction of distribution charges: adjustments), from the following formula: provided that the value of K_{dt} for the eleventh relevant year shall be the value of K_{dt} arising for that year from the application of the formula applicable under Licence Condition 3A of the Public Electricity Supply licence previously granted to Southern Electric plc in the form of that condition in force on 31 March 2000, but adjusted by adding the amount of TA_{dt} for the tenth relevant year, calculated by the application of the formula applicable under Licence Condition 3A of that Public Electricity Supply licence as then in force:

$$K_{dt} = \frac{R_{dt-1} - (D_{t-1} \cdot M_{dt-1})}{D_t} \left(1 + \frac{I_{dt}}{100}\right)$$

where:

R_{dt-1} means the distribution revenue in relevant year t-1.

D_{t-1} means the regulated quantity distributed in relevant year t-1.

M_{dt-1} means maximum average charge per unit distributed in relevant year t-1.

I_{dt} means that interest rate in relevant year t which is equal to, where K_{dt} (taking no account of I_d for this purpose) has a positive value, the average specified rate plus 4, or where K_{dt} (taking no account of I_d for this purpose) has a negative value, the average specified rate.

Annexe A to Special Condition B (Restriction of distribution charges)

EASTERN ELECTRICITY LTD

£m

PUM 287.9

C_{dt} for relevant year beginning on

'000s

1 April 2000 3249

1 April 2001 3281

1 April 2002 3314

1 April 2003 3347

1 April 2004 3381

every subsequent relevant year 3415

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1 2.0009

LV2 0.3031

LV3 1.3431

HV 0.4584

EAST MIDLANDS DISTRIBUTION PLC

£m

PUM 240.3

C_{dt} for relevant year beginning on

'000s

1 April 2002 2376

1 April 2001 2400

1 April 2002 2424

1 April 2003 2448

1 April 2004 2472

every subsequent relevant year 2497

P_{oi}

Column 1

Column 2

unit category i

value (p)

LV1 1.6131

LV2 0.5557

LV3 1.5711

HV 0.6350

GPU POWER NETWORKS (UK) PLC

£m

PUM

243.5

C_{dt} for relevant year beginning on

'000s

1 April 2000

2303

1 April 2001

2326

1 April 2002

2349

1 April 2003

2373

1 April 2004

2397

every subsequent relevant year 2420

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1

1.9729

LV2

0.3966

LV3

1.6108

HV

0.5992

LONDON POWER NETWORKS LIMITED

£m

PUM 220.8

C_{dt} for relevant year beginning on

'000s

1 April 2000 2072

1 April 2001 2093

1 April 2002 2114

1 April 2003 2135

1 April 2004 2156

every subsequent relevant year 2178

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1 2.2073

LV2 0.4057

LV3 1.5912

HV 0.5932

£m

PUM

158.0

C_{dt} for relevant year beginning on

'000s

1 April 2000

1423

1 April 2001

1437

1 April 2002

1452

1 April 2003

1466

1 April 2004

1481

every subsequent relevant year 1496

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1

2.1041

LV2

0.4323

LV3

1.7558

HV

0.5097

NORTHERN ELECTRIC DISTRIBUTION LIMITED

£m

| | |
|-----|-------|
| PUM | 152.6 |
|-----|-------|

C_{dt} for relevant year beginning on

'000s

| | |
|--------------|------|
| 1 April 2000 | 1500 |
|--------------|------|

| | |
|--------------|------|
| 1 April 2001 | 1515 |
|--------------|------|

| | |
|--------------|------|
| 1 April 2002 | 1530 |
|--------------|------|

| | |
|--------------|------|
| 1 April 2003 | 1545 |
|--------------|------|

| | |
|--------------|------|
| 1 April 2004 | 1561 |
|--------------|------|

| | |
|--------------------------------|------|
| every subsequent relevant year | 1577 |
|--------------------------------|------|

P_{0i}

Column 1

Column 2

unit category i

value (p)

| | |
|-----|--------|
| LV1 | 2.0911 |
|-----|--------|

| | |
|-----|--------|
| LV2 | 0.3273 |
|-----|--------|

| | |
|-----|--------|
| LV3 | 1.9284 |
|-----|--------|

| | |
|----|--------|
| HV | 0.4723 |
|----|--------|

£m

PUM

208.9

C_{dt} for relevant year beginning on

'000s

1 April 2000

2250

1 April 2001

2272

1 April 2002

2295

1 April 2003

2318

1 April 2004

2341

every subsequent relevant year 2365

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1

2.1750

LV2

0.2821

LV3

1.6304

HV

0.5335

SEEBOARD POWER NETWORKS PLC

£m

PUM 159.1

C_{dt} for relevant year beginning on

'000s

1 April 2000 2153

1 April 2001 2175

1 April 2002 2196

1 April 2003 2218

1 April 2004 2240

every subsequent relevant year 2263

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1 1.8735

LV2 0.3213

LV3 1.4098

HV 0.5892

SOUTHERN ELECTRIC POWER DISTRIBUTION PLC

£m

PUM

297.7

C_{dt} for relevant year beginning on

'000s

1 April 2000

2728

1 April 2001

2755

1 April 2002

2783

1 April 2003

2811

1 April 2004

2839

every subsequent relevant year 2867

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1

2.0600

LV2

0.3816

LV3

1.4815

HV

0.5560

WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC

£m

PUM 125.6

C_{dt} for relevant year beginning on

'000s

1 April 2000 998

1 April 2001 1008

1 April 2002 1018

1 April 2003 1028

1 April 2004 1039

every subsequent relevant year 1049

P_{oi}

Column 1

Column 2

unit category i

value (p)

LV1 2.4442

LV2 0.3641

LV3 2.2009

HV 0.7272

WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC

£m

PUM

171.0

C_{dt} for relevant year beginning on

'000s

1 April 2000

1369

1 April 2001

1383

1 April 2002

1397

1 April 2003

1410

1 April 2004

1425

every subsequent relevant year 1439

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1

2.3889

LV2

0.6679

LV3

1.8707

HV

0.5072

YORKSHIRE ELECTRICITY DISTRIBUTION PLC

£m

PUM 215.4

C_{dt} for relevant year beginning on

'000s

1 April 2000 2129

1 April 2001 2150

1 April 2002 2172

1 April 2003 2194

1 April 2004 2215

every subsequent relevant year 2238

P_{0i}

Column 1

Column 2

unit category i

value (p)

LV1 1.9497

LV2 0.3271

LV3 1.6654

HV 0.5750

Annexe B to Special Condition B (Restriction of distribution charges)

| | PR £M |
|--|-------|
| EASTERN ELECTRICITY LTD | 2.97 |
| EAST MIDLANDS DISTRIBUTION PLC | 2.35 |
| GPU POWER NETWORKS (UK) LIMITED | 2.34 |
| LONDON POWER NETWORKS LIMITED | 2.14 |
| MANWEB PLC | 1.69 |
| NORTHERN ELECTRIC DISTRIBUTION LIMITED | 1.76 |
| NORWEB PLC | 2.28 |
| SEEBOARD POWER NETWORKS PLC | 2.15 |
| SOUTHERN ELECTRIC POWER DISTRIBUTION PLC | 2.64 |
| WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC | 1.38 |
| WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC | 1.65 |
| YORKSHIRE ELECTRICITY DISTRIBUTION PLC | 2.19 |
| SCOTTISH POWER DISTRIBUTION LTD | 2.01 |
| SCOTTISH HYDRO ELECTRIC POWER DISTRIBUTION PLC | 1.16 |

Special Condition C: Restriction of distribution charges: adjustments

1. If, in respect of any relevant year, the average charge per unit distributed exceeds the maximum average charge per unit distributed by more than 3 per cent, the licensee shall furnish an explanation to the Authority and in the next following relevant year the licensee shall not effect any increase in charges unless it has demonstrated to the reasonable satisfaction of the Authority that the average charge per unit distributed would not be likely to exceed the maximum charge per unit distributed in that next following relevant year.
2. If, in respect of any two successive relevant years, the sum of the amounts by which the average charge per unit distributed has exceeded the maximum average charge per unit distributed is more than 4 per cent, then in the next following relevant year the licensee shall, if required by the Authority, adjust its charges such that the average charge per unit distributed would not be likely, in the judgement of the Authority, to exceed the maximum average charge per unit in that next following relevant year.
3. If, in respect of two successive relevant years, the average charge per unit distributed is less than 90 per cent of the maximum average charge per unit distributed, the Authority, after consultation with the licensee, may direct that in calculating K_{dt} for the purposes of paragraph 6 of Special Condition B (Restriction of distribution charges) in respect of the next following relevant year, there shall be substituted for R_{dt-1} in the formula at paragraph 6 of Special Condition B (Restriction of distribution charges) such figure as the Authority may specify being not less than R_{dt-1} and not more than $0.90 (Dt-1.M_{dt-1})$.

Special Condition D: Information to be provided to the Authority in connection with the charge restriction conditions

1. Where the licensee is intending to make any change in charges for the provision of distribution services regulated under Special Condition B (Restriction of distribution charges) the licensee shall (unless otherwise agreed by the Authority) not later than the date of publication of such charges provide the Authority with:
 - (a) written forecast of the maximum average charge per unit distributed, together with its components, in respect of the relevant year t in which such a change is to take effect and in respect of the next following relevant year $t+1$; and
 - (b) a written estimate of the maximum average charge per unit distributed, together with its components, in respect of the relevant year $t-1$ immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 7 in respect of relevant year $t-1$ has been furnished to the Authority before the publication of the proposed change.
2. [No longer used]
3. If within three months of the commencement of any relevant year t the licensee has not made any such change in charges as is referred to in paragraph 1, the licensee shall provide the Authority with a written forecast of the maximum average charge per unit distributed, together with its components, in respect of the relevant year t .
4. The Authority may issue directions providing that any forecast or estimate provided in accordance with paragraphs 1 or 3 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
5. Not later than six weeks after the commencement of each relevant year t , the licensee shall send to the Authority a statement as to:
 - (a) whether or not the provisions of Special Condition C (Restriction of distribution charges: adjustments) are likely to be applicable in consequence of the average charge per unit distributed in the preceding relevant year $t-1$ or the two preceding relevant years $t-1$ and $t-2$; and
 - (b) its best estimate as to the relevant correction factor K_{dt} to be applied in calculating the maximum average charge per unit distributed in respect of the relevant year t .
6. [No longer used]

7. Not later than three months after the end of a relevant year the licensee shall send to the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 9.
8. The statement referred to in the preceding paragraph shall be:
- (a) accompanied by a report from the Auditors that in their opinion (i) such statement fairly presents each of the specified items referred to in paragraph 9 in accordance with the requirements of the charge restriction conditions and (ii) the amounts shown in respect of each of those specified items are in accordance with the licensee's accounting records which have been maintained in respect of the distribution business in accordance with standard condition 42 (Regulatory Accounts) of this licence; and
 - (b) certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief having made all reasonable enquiries:
 - (i) there is no amount included in its calculations under Special Condition B (Restriction of distribution charges) and Schedule A which represents other than:
 - (aa) bona fide consideration for the provision of distribution services in the course of its distribution business; or
 - (bb) an amount permitted under the charge restriction conditions to be so included;
 - (ii) there is no amount included in its calculations of allowed security costs under Special Condition E (Allowances in respect of security costs) which represents other than an amount permitted under the charge restriction conditions to be so included;
 - (iii) no service has been treated as an excluded service which was not properly so treated and no amount included in the revenues in respect thereof represents other than bona fide consideration for the provision of the excluded service to which it relates;
 - (iv) all amounts which should properly be taken into account for the purposes of the charge restriction conditions have been taken into account.
9. The specified items to be contained in the statement referred to in paragraph 7 shall be the following:
- (a) the regulated quantity distributed;
 - (b) the quantity distributed in each regulated distribution unit category;
 - (c) the average charge per unit distributed;

- D
- (d) the amount in respect of the Terms AL_t and L_t , in paragraph 3 of Special Condition B (Restriction of distribution charges) calculated as therein provided;
 - (e) the value of the term TA_{dt} in respect of the tenth relevant year only, together with the value of each of its component parts, as detailed in paragraph 4 of Special Condition B (Restriction of distribution charges) in the form of the licence in force on 31 March 2000;
-
- (f) the information referred to at paragraph 8 of Special Condition E (Allowances in respect of security costs);
 - (g) the statements and information referred to in paragraph A5, B2, C7, D1 and E10 of Schedule A.
10. Where the Authority issues directions in accordance with paragraph 9 of Special Condition E (Allowances in respect of security costs) or paragraphs A6, B3, C8, D5 or E11 of Schedule A then such directions shall not have effect from a date earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 7 prior to the issue of the directions related, unless such statement (or the accompanying report or certificate under paragraph 8) or any statement, report or certificate in respect of an earlier relevant year was incorrect or was misleading in any material respect.
11. Where the Authority issues such directions as are referred to in the preceding paragraph the Authority may require the licensee to provide a revised statement in respect of such of the specified items as may be affected by the directions, and the licensee shall comply with such request.

Special Condition E: Allowances in respect of security costs

1. At any time during a security period, the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the charge restriction conditions as may be specified in the notice for the unexpired term of the security period.
2. At any time during a security period, the Authority may (having regard to its duties under the Act or under the Utilities Act 2000) by means of directions:
 - (a) suspend or modify for the unexpired term of the security period the charge restriction conditions or any part or parts thereof; or
 - (b) introduce for the unexpired term of the security period new charge restriction conditions

in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate:

- (i) to enable the licensee to recover by means of increased charges an amount estimated as being equal to the licensee's allowed security costs during such period;
- (ii) to ensure that such part of the amount referred to in sub-paragraph (i) above as is estimated as being equal to the allowed security costs incurred by the licensee as costs in its distribution business are recovered by means of appropriate equitable increases on the charges made by the licensee in its distribution business

and the licensee shall comply with the terms of any directions so issued.

3. At any time following a security period, the Authority may (following such consultation with the licensee and others as the Authority may consider appropriate) issue directions suspending or modifying the charge restriction conditions or any part or parts thereof or replacing such directions as may have been made during the security period and introducing such new charge restriction conditions as in the opinion of the Authority are appropriate in all the circumstances (including at the Authority's discretion an appropriate adjustment having regard to any profit gained or foregone by the licensee during the security period), and the licensee shall comply with any directions so issued.
4. At any time within three months after the issue of directions by the Authority under paragraph 3, the licensee may serve on the Authority a disapplication request in respect of such of the charge restriction conditions or any part or parts thereof as are specified in the request.
5. If within three months of the receipt by the Authority of the disapplication request referred to in paragraph 4, the Authority has either not agreed in writing to such disapplication request or has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions, the licensee may deliver one month's written

notice to the Authority terminating the application of the charge restriction conditions (or any part or parts thereof) as were specified in the disapplication request.

6. Subject to paragraphs 7 and 9, the licensee shall in any relevant year be entitled to recover an aggregate amount equal to its allowed security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases on the charges made by the licensee in its distribution business.
7. Paragraph 6 shall not apply in so far as such allowed security costs:
 - (a) were otherwise recovered by the licensee; or
 - (b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 3 above.
8. The licensee shall following the end of each relevant year provide to the Authority, as being one of the specified items to be contained in the statement referred to at paragraph 7 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions), details in respect of that relevant year of:
 - (a) the amount of the licensee's allowed security costs; and
 - (b) the aggregate amounts charged under paragraph 6 on account of the licensee's allowed security costs; and
 - (c) the bases and calculations underlying the increases in charges made by the licensee in its distribution business under paragraph 6.
9. Where the Authority is satisfied that the licensee has recovered amounts in excess of the allowed security costs, the Authority may issue directions requiring the licensee to take such steps as may be specified to reimburse purchasers from the distribution business (as the case may be) for the excess amounts charged to them, and the licensee shall comply with any directions so issued provided that if the excess amounts relate to allowed security costs paid to any authorised electricity operator, the licensee shall not be obliged to make any such reimbursement unless and until it has recovered such costs from the relevant authorised electricity operator.
10. No amounts charged by the licensee under this Condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the charge restriction provisions of Special Condition B (Restriction of distribution charges).
11. In this Condition:

| | |
|-------------------------|---|
| “allowed security cost” | shall have the meaning ascribed to that term in the Fuel Security Code. |
| “security period” | means a period commencing on the date on which |

any direction issued by the Secretary of State under Section 34(4)(b) of the Act enters into 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 after having regard to the views of such persons.

Special Condition F: Duration of charge restriction conditions

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.
2. A disapplication request pursuant to this Condition shall (a) be in writing addressed to the Authority, (b) specify the charge restriction conditions (or any part or parts thereof) to which the request relates and (c) state the date from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect.
3. Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than that date which is the later of:
 - (a) a date being not less than 18 months after delivery of the disapplication request; and
 - (b) 31st March 2005.
4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such charge restriction conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to the Authority written notice terminating the application of such charge restriction conditions with effect from the disapplication date or later.
6. A disapplication request or notice served under this Condition may be served in respect of a specified geographic area.

SCHEDULE A: SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION CONDITIONS

Part A. Principles for Attribution

General Principles

- A1. Where for the purposes of the charge restriction conditions, a share of costs borne by the licensee requires to be attributed to any part of the market, the licensee shall make that attribution on a basis which ensures that no more than a fair proportion of those costs, reflecting the costs incurred by the licensee in supplying that part of the market, are so attributed.
- A2. The following paragraphs of this Part of Schedule A are without prejudice to paragraph A1.

Transmission connection point charges and remote transmission asset rentals

- A3. The transmission connection point charges and remote transmission asset rentals requiring to be attributed between the regulated quantity distributed and other quantities distributed shall be attributed in proportion to the transmission connection point and remote transmission asset capacity required for the purpose of distributing those quantities.

Distribution losses

- A4. Where an amount (in units) in respect of distribution losses requires to be calculated and attributed in respect of EHV units and units distributed by the licensee for the purpose of supply to premises outside the licensee's distribution services area, such calculation and attribution shall be made consistently with the principles underlying the schedule of adjustment factors referred to at sub-paragraph (b) of paragraph 2 of standard condition 4 (Basis of Charges for use of System and Connection to System: Requirements for Transparency).

Information to be provided by licensee

- A5. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions), a statement confirming that the calculation of the transmission connection point charges, the remote transmission asset rentals and of distribution losses was made in accordance with the provisions of this Part of Schedule A.
- A6. Where the Authority is satisfied that the basis of calculation or attribution (as the case may be) used by the licensee is not in conformity with paragraph A1, the Authority may issue directions specifying an alternative basis of calculation or attribution, and the basis of calculation or attribution by the licensee (as the case may be) shall be adjusted accordingly with effect from the date of issue of the directions or (subject to paragraph 10 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in those directions.

Part B. EHV premises

B1. EHV premises shall comprise:

- (a) in relation to premises connected to the licensee's distribution system as at the date this licence enters into force, those premises specified in the list of EHV premises notified in writing to the Authority by the licensee within twenty-eight days after this licence enters into force; and
- (b) in relation to premises connected to the licensee's distribution system which are either first connected or (having been previously connected) have had their connections materially altered following the date this licence enters into force, means premises connected to the licensee's distribution system as a voltage at or higher than 22 kilovolts or at a sub-station with a primary voltage of 66 kilovolts or above.

B2. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions), a statement listing any changes in the premises falling to be treated as EHV premises.

B3. Where the Authority is satisfied that any premises treated by the licensee as EHV premises should not in conformity with sub-paragraph B1(b) above be so treated, the Authority may issue directions to that effect, and such premises shall cease to be treated as EHV premises from the date of issue of the directions or (subject to paragraph 10 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in those directions.

Part C. Excluded services

- C1. There may be treated as excluded services provided by the licensee in its distribution business such services in respect of which charges are made which:
- (a) do not fall within paragraph C2 of this Part; and
 - (b) may (subject to paragraph C8) be determined by the licensee as falling under one of the principles set out in paragraphs C3 to C6 of this Part.
- C2. No service provided by the licensee as part of its distribution business shall be treated as an excluded service in so far as it consists of the provision of services remunerated under the use of system charges in accordance with paragraph 2 of standard condition 4 (Basis of Charges for use of System and Connection to System: Requirements for Transparency) including (without prejudice to the foregoing):
- (i) (subject to paragraph C3 of this Part) the transport of electricity;
 - (ii) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges);
 - (iii) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the licensee to comply with standard conditions 5, 9, 9A and 15, the Electricity Supply Regulations 1988 or any regulations made under Section 29 of the Act or any other enactment relating to safety or standards applicable in respect of the distribution business; and
 - (iv) (subject to paragraph C5 of this Part) the provision, installation and maintenance of any meters, switchgear or other electrical plant (not being part of connection charges).
- C3. The licensee may treat as being an excluded service for the purposes of its distribution business the transport of:
- (a) units of electricity not consumed in the licensee's distribution services area
 - (b) EHV units, provided that the licensee's charges for the distribution of such units do not exceed the charging rates underlying the information as to EHV revenue and EHV units distributed given by the licensee to the Authority and used by it for the purposes of setting the term PUM in Special Condition B (Restriction of distribution charges), subject only to such adjustments as may be appropriate in the reasonable opinion of the Authority to reflect material variations between the actual charges made and the charging rates underlying the information as to EHV revenue provided to the Authority by the licensee.

- C4. Charges of the type described in paragraph 3 of standard condition 4 (Basis of Charges for Use of System and Connection to System) and charges in respect of the statements referred to in paragraph 5 of standard condition 4 (Basis of Charges for Use of System and Connection to System), may each be treated as excluded services for the purposes of the distribution business.
- C5. A service provided by the licensee as part of its distribution business may be treated as an excluded service in so far as it consists in the provision of services (including metering, electric lines or electrical plant) for the specific benefit of any third party requesting the same and not made available by the licensee as a normal part of its distribution business remunerated by use of system charges including (without prejudice to the foregoing):
- (i) special metering (including "time of day" metering) to facilitate energy saving programmes for the benefit of customers requesting the same;
 - (ii) charges for moving mains, services or meters forming part of the licensee's distribution system to accommodate extension, re-design or re-development of any premises on which the same are located or to which they are connected;
 - (iii) the provision of electric lines and electrical plant (a) insofar as the same are required for the specific purpose of enabling the provision of top-up or standby supplies or sales of electricity or (b) to provide a higher degree of security than is required for the purposes of complying with standard condition 5 (Distribution System Planning Standard and Quality of Service);
 - (iv) the amount by which charges for the provision of prepayment meters to customers exceed charges for the provision of standard meters for such customers, in respect of which the amount receivable per customer shall not exceed that used by the Authority in formulating PUM in Special Condition B (Restriction of distribution charges); and
 - (v) special metering or telemetry or data processing equipment for the purposes of enabling any person which is a party to the Balancing and Settlement Code to comply with its obligations in respect of metering thereunder, or for the performance by the licensee of any service in relation thereto.
- C6. There may be treated as an excluded service for the purposes of the distribution business, charges for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Section 9(1) or Section 16 of the Act) imposed on the licensee.

Information to be provided to the Authority

- C7. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions), details specifying separately the nature of all services provided as part of its distribution business and treated as excluded services by the licensee

during the course of such year and stating the revenues derived by the licensee in respect of each such service so treated.

- C8. Where the Authority is satisfied that in light of the principles set out in paragraphs C2 to C6 inclusive any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect, and the service or services specified in the directions shall cease to be treated as excluded services from the date of issue of the directions or (subject to paragraph 10 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in the directions.

Part D. Regulated distribution unit categories

D1. The licensee shall following the end of each relevant year furnish to the Authority , as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions), details specifying separately those use of system charges in respect of which the licensee has during the course of such year treated the units distributed as falling within the definition of each of LV1 units and LV2 units and LV3 units respectively.

D2. The definition of LV1 units includes units distributed under the following tariffs:

- (a) Domestic Economy 7 - day units
- (b) Domestic White Meter - day units
- (c) Non Domestic Day/Night Tariff Q2 - day units
- (d) Non Domestic Night/Evening and Weekend Tariff Q4 - day and evening/weekend units

D3. The definition of LV2 units includes units distributed under the following tariffs:

- (a) Domestic Economy 7 - night units
- (b) Domestic White Meter - night units
- (c) Non Domestic Day/Night Q2 - night units
- (d) Non Domestic Night/Evening and Weekend Tariff Q4 - night units
- (e) Off Peak Tariffs A and AC)
- (f) Off Peak Tariffs B and BC)
- (g) Off Peak Tariffs BX) restricted hour tariffs
- (h) Off Peak Tariff E)
- (i) Off Peak Tariffs F and FC)
- (j) Off Peak tariff FX)
- (k) Off Peak Tariff EC - 8 hour tariff

D4. The definition of LV3 units includes units distributed under the following tariffs:

- (a) Domestic General Tariff
- (b) Non Domestic Standard Tariff - Q1
- (c) Non Domestic Evening and Weekend Tariff Q3
- (d) Non Domestic Monthly Tariffs M1, M2 and M3
- (e) Public Lighting
- (f) Miscellaneous / Unmetered

D5.

Notwithstanding the provisions of paragraphs D2 to D4 above, where the Authority is satisfied that a tariff or tariffs in respect of which the licensee has treated the units distributed as falling within one of the categories in paragraphs D2 to D4 above should not be so treated, the Authority shall issue directions to that effect and the tariff or tariffs specified in the directions shall cease to be so treated from the date of issue of the directions or (subject to paragraph 10 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions) such other date as may be specified in the directions and shall with effect from such date be treated in such manner as may be specified in the directions.

Part E. Calculation of factor in respect of distribution losses

- E1. The terms AL_t and L_t , which are used in paragraph 3 of Special Condition B (Restriction of distribution charges), shall each be determined, for relevant years commencing on or after the 1st April 1995, using the consistent methodological basis set out in paragraphs E2 to E5 below.

Consistent methodological basis for determination of AL_t and L_t

- E2. Adjusted distribution losses shall be deemed to be the difference between adjusted grid supply point purchases and adjusted units distributed.
- E3. Units metered on entry to the licensee's distribution system shall be adjusted to obtain adjusted grid supply point purchases by:
- (a) excluding that number of units which is equal to the sum of:
 - (i) EHV units; and
 - (ii) units distributed by the licensee for the purpose of supply to premises outside the licensee's distribution services area; and
 - (iii) an amount in respect of distribution losses between the grid supply point and the exit point attributable to the units referred to in (i) and (ii) above, as determined in accordance with paragraph A4 in Part A of Schedule A; and
 - (b) including an amount (in units) to represent the effect of units entering the licensee's distribution system otherwise than at grid supply points, being the difference between the number of units so entering and the number of units that would have been required to have entered at grid supply points in their absence (such latter number of units being calculated consistently with the principles underlying the schedule of adjustment factors in respect of distribution losses referred to at sub-paragraph (b) of paragraph 2 of standard condition 4 (Basis of Charges for Use of System and Connection to System: Requirements for Transparency)).
- E4. For so long as units are metered on entry to the licensee's distribution system at bulk supply points instead of at grid supply points, such units shall be calculated by:
- (i) applying the procedures in paragraph E3 as if all references to units metered at grid supply points were to units metered at bulk supply points; and
 - (ii) grossing-up units metered at the bulk supply points by the relevant grid supply point conversion factor being either:
 - (a) 0.5 per cent of the units metered at the bulk supply points; or

- (b) such other factor to take account of losses occurring between the grid supply points and the bulk supply points as the licensee may with the prior approval of the Authority determine to be appropriate.

E5. Adjusted units distributed shall be obtained by:

- (a) calculating all units distributed by the licensee metered at exit points on leaving the licensee's distribution system; and
- (b) deducting therefrom EHV units and units distributed for the purpose of supply to premises outside the licensee's distribution services area; and
- (c) adding thereto an amount equal to the units consumed on the licensee's premises in the licensee's distribution services area (insofar as not otherwise taken into account in determining units distributed under sub-paragraph (a) above).

Initial relevant loss percentage in the term AL_t

E6. The first relevant year, the initial relevant loss percentage in the term AL_t shall (consistently with the methodology set out in paragraphs E2 to E5 above) be deemed to be:

$$\frac{\text{Adjusted GSP purchase units less adjusted units distributed}}{\text{Adjusted units distributed}}$$

where adjusted GSP purchase units are calculated as provided in paragraph E7 and adjusted units distributed are calculated as provided in paragraph E8.

E7. Adjusted GSP purchase units shall be calculated in accordance with the procedures successively described in the following sub-paragraphs:

- (a) the actual losses in each of relevant years t-1, t-2 and t-3 (the "historic losses") shall be calculated as the difference in each of those years between units purchased at entry points to the licensee's distribution system and units sold;
- (b) the historic loss percentage shall be calculated as the proportion (expressed as a percentage) which the aggregate historic losses were of the aggregate units purchased at entry points to the licensee's distribution system, in each case over the three relevant years t-1 to t-3;
- (c) the total number of units sold in relevant year t-1 shall be grossed up by the historic loss percentage ("BSP purchase units"); and
- (d) the figure for BSP purchase units resulting from sub-paragraph (c) shall be adjusted to obtain adjusted GSP purchase units in accordance with the provisions of paragraphs E3 and E4 above.

- E8. Adjusted units distributed shall be calculated by applying the methodology of paragraph E5 in respect of those units referred to in sub-paragraphs (a) to (c) of paragraph E5 in relevant year t-1.

Information to be provided to the Authority

- E9. The licensee shall within three months after the entry into force of this licence furnish to the Authority a statement showing the initial relevant loss percentage and the underlying calculations.
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- E10. The licensee shall, following the end of each relevant year, furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 7 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions), a statement showing adjusted distribution losses for that relevant year, accompanied by the underlying calculations and (where appropriate) an explanation of any changes in the basis of calculation or estimation thereof.
- E11. Where the Authority is satisfied that any statement or underlying calculation provided has not been drawn up in conformity with paragraphs E2 to E8 above, the Authority may issue directions, and the statement or underlying calculation shall be adjusted with effect from the date of issue of the directions or (subject to paragraph 10 of Special Condition D (Information to be provided to the Authority in connection with the charge restriction conditions)) such other date as may be specified in the directions.

SCHEDULE 1
SPECIFIED AREA
Great Britain

SCHEDULE 2

REVOCATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(g)) in writing to the licensee:
 - (a) ~~if the licensee agrees in writing with the Authority that the licence should be revoked;~~
 - (b) if any amount payable under standard condition 3 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
 - (ii) an order made by the court under section 34 of the Competition Act 1998.
 - (e) if the licensee has not within 5 years after the date on which this licence comes into force, commenced the distribution of electricity to any of the premises within the area specified in Schedule 1 to this licence;
 - (f) if the licensee has ceased to distribute electricity to all of the premises within the area specified in Schedule 1 to this licence for a period of 5 years;

- (g) if the licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this Schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
 - (h) if the licensee is convicted of having committed an offence under section 59 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(g)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£100,000” or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
 3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(g)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

SCHEDULE 3

DISTRIBUTION SERVICES AREA

The distribution services area shall comprise that area which is outlined on the attached map and shall additionally include those premises listed in List A (the "Additional Premises") but shall not include those premises listed in List B (the "Excluded Premises").

A: ADDITIONAL PREMISES

| Address | Grid Ref. |
|--|--------------|
| The Elms 9 and 9, "Anjil" 10 and 10, Fritz, Otto, Maria, Ann" 10, Kingsley British Rail E564001 (Twick. Bridge) Metro. Water Shaft and Kiosk Ducks Walk Twickenham Middx TW1 2DD | TQ 1721 7470 |
| Bungalow Cardinal Vaughan Playing Fields Whitton Dene Isleworth Middx TW7 7LT | TQ 1510 7450 |
| Workshop adj pavilion Cardinal Vaughan Playing Fields Whitton Dene Isleworth Middx TW7 7LT | TQ 1508 7450 |
| 4, 6, 8 & 10 Runnymede Road Twickenham Middx TW2 7HF | TQ 1386 7439 |
| 1 & 3 Grasmere Avenue Hounslow Middx TW3 2JG | TQ 1371 7439 |
| 461 Wellington Road South Hounslow Middx TW4 5HY | TQ 1313 7438 |
| 32, 34, 36 and 38 Wyndham Crescent Hounslow Middx TW4 5HZ | TQ 1308 7437 |

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| St. Richards Church Forge Lane Hanworth Middx TW13 6YQ | TQ 1217 7114 |
| Mimbridge Nurseries Philpot Lane Chobham Surrey GU24 8AP | SU 9908 6062 |
| Castle Grove Nursery Scotts Grove Road West End Chobham Surrey | SU 9664 6094 |
| North Hill Nursery Scotts Grove Road Chobham Surrey GU21 5JB | SU 9583 6083 |
| New Bridge Pumping Station Guildford Road West End Woking Surrey GU24 9LY | SU 9498 6014 |
| Lucas Green Nursery Lucas Green Road West End Woking Surrey GU24 9LY | SU 9470 6013 |
| Ford House Ford Road Chobham Surrey GU24 8SS | SU 9452 5997 |
| Gingerburys Church Street Rudgwick Horsham W. Sussex RH12 3EH | TQ 0904 3458 |
| Bury St. Austins Farm House, Buildings and Office Rudgwick Horsham W. Sussex RH12 3PW | TQ 1091 3524 |
| Barnbridge House Guildford Road Clemsford Horsham W. Sussex RH12 3PW | TQ 1350 3334 |

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| 1 and 2 New Court Cottages Coneyhurst Billingshurst W. Sussex RH14 9DH | TQ 1055 2320 |
| Bury Gate House and Two Lodges Fittleworth Road Burygate | TQ 0070 1607 |
| Bury Pulborough W. Sussex RH20 1HA | |
| 1 & 2 Abbey Terrace North Circular Road London NW10 | TQ 1866 8303 |
| 25 & 26 Waverley Gardens North Circular Road London NW10 | TQ 1868 8298 |
| CAV Ltd Warple Way Hammersmith London W12 | TQ 2130 7975 |
| CAV Ltd Larden Road Hammersmith London W12 | TQ 2138 7975 |
| Mad Bess Woods and Cottage Breakspear Road North Harefield Middx UB9 6LZ | TQ 0761 8788 |
| The Fisheries Inn Park Lane Harefield Middx | TQ 0403 9116 |
| Rickmansworth Sailing Club Jacks Lane Harefield Middx | TQ 0408 9058 |
| Bradenham Hill Cottages - 2 off Bradenham Road Bradenham High Wycombe Bucks HP14 4EX | SU 8324 9685 |

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|---|---------------|
| Grain Dryer Horsenden Hill High Street Tetsworth Oxon | SP 6923 0275 |
| Hill Farm Lobbersdown Hill High Street Tetsworth Oxon OX9 7BZ | SP 67972 0330 |
| Lower Farm Lobbersdown Hill High Street Tetsworth Oxon OX9 7BZ | SP 6742 0310 |
| Whitehouse Farm and House Bicester Road Kingswood Aylesbury Bucks HP18 0RF | SP 6540 1980 |
| Leaches Farm & Buildings Bicester Road Kingswood Aylesbury Bucks HP18 0RF | SP 6495 1982 |
| Hutton Grange, Farm 2 Cottages, Hillcourt and Dairy Unit Hutton Grange Farm Great Hollright Chipping Norton Oxon OX7 5RR | SP 3230 3220 |

B: EXCLUDED PREMISES

(a) PART OF THE DISTRIBUTION SERVICES AREA OF SEEBOARD POWER NETWORKS PLC

| Address | Grid Ref. |
|--|--------------|
| 49 The Avenue Twickenham Middx TW1 1QU | TQ 1703 7470 |
| Willments Twickenham Industrial Estate Rugby Road Twickenham Middx TW1 1DQ | TQ 1564 7425 |

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| Redcar Engineering Twickenham Industrial Estate Rugby Road Twickenham Middx TW1 1DQ | TQ 1559 7427 |
| Ashfield Lodge Farm Bailes Lane | SU 9405 5107 |
| Normandy Surrey GU3 2BA | |
| Unstead Park Cottage Unstead Godalming Surrey GU7 1UW | SU 9877 4437 |
| Handon Cottage Markwick Lane Lox Hill Godalming Surrey GU8 4BD | SU 9929 3843 |
| Strood Park Farm House Strood Lane Horsham West Sussex RH12 3PF | TQ 1421 3311 |
| Home Farm Strood Lane Horsham West Sussex RH12 3PF | TQ 1425 3313 |
| Rowland Wood Strood Lane Broadbridge Heath Horsham West Sussex RH12 3PF | TQ 1449 3304 |
| Drummonds Farm West Chiltington Lane Coneyhurst Billingshurst West Sussex RH14 9DY | TQ 0990 2275 |
| High Barns Farm West Chiltington Lane Coneyhurst Billingshurst West Sussex RH14 9DY | TQ 1000 2337 |

| | |
|-----------------------|--------------|
| Fowlers | TQ 1000 2340 |
| West Chiltington Lane | |
| Coneyhurst | |
| Billingshurst | |
| West Sussex RH14 9DY | |

| | |
|-------------------------|--------------|
| Drummonds Farm Bungalow | TQ 0988 2270 |
| West Chiltington Lane | |
| Coneyhurst | |
| Billingshurst | |
| West Sussex RH14 9DY | |

| | |
|------------------------|--------------|
| Adversane Caravan Site | TQ 0710 1607 |
| Adversane | |
| Billingshurst | |
| West Sussex RH14 9JW | |

| | |
|---------------------------|--------------|
| Angmering Pumping Station | TQ 0582 0694 |
| Poling | |
| Worthing | |
| West Sussex BN18 9PX | |

| | |
|----------------------|--------------|
| Dover Cottage | TQ 0586 0667 |
| Poling | |
| Worthing | |
| West Sussex BN18 9PX | |

| | |
|----------------------|--------------|
| Dover House | TQ 0582 0653 |
| Poling | |
| Worthing | |
| West Sussex BN18 9PX | |

| | |
|---------------------------------|--------------|
| Langmeads Pumping Station No. 1 | TQ 0507 0461 |
| Manor Farm | |
| Poling | |
| Worthing | |
| West Sussex BN18 9PT | |

| | |
|---------------------------------|--------------|
| Langmeads Pumping Station No. 2 | TQ 0481 0422 |
| Manor Farm | |
| Poling | |
| Worthing | |
| West Sussex BN18 9PT | |

(b) PART OF THE DISTRIBUTION SERVICES AREA OF LONDON POWER NETWORKS LTD

| | |
|---------------|--------------|
| Address | Grid Ref. |
| Cedar House | TQ 2195 7812 |
| Chiswick Mall | |
| Chiswick | |
| London W4 | |

(c) PART OF THE DISTRIBUTION SERVICES AREA OF EASTERN ELECTRICITY LTD

| Address | Grid Ref. |
|--|--------------|
| 179 & 181 Park Road London NW10 | TQ 1860 8307 |
| Burial Ground Clifford Road Wembley Middx | TQ 1748 8407 |
| Crows Nest Farm & Bungalow Breakspear Road South Ruislip Middx | TQ 0761 8788 |
| Holland & Holland Shooting Ground Ducks Hill Road Northwood Middx | TQ 0726 0906 |
| Depot Springwell Lane Daryton Ford, Mill End Rickmansworth | TQ 0405 9345 |
| 206 White Lion Road Little Chalfont Bucks HP7 9NU | SU 9928 9749 |
| Hartland Stag Lane Great Kingshill Bucks | SU 8801 9807 |

(d) PART OF THE DISTRIBUTION SERVICES AREA OF EAST MIDLANDS DISTRIBUTION PLC

| Address | Grid Ref. |
|--|--------------|
| The Squirrels Little Tingewick Finnere Oxon MK18 4AG | SP 6405 3278 |

(e) PART OF THE DISTRIBUTION SERVICES AREA OF GPU POWER NETWORKS (UK) LTD

| Address | Grid Ref. |
|---------|-----------|
|---------|-----------|

| | |
|---|--------------|
| Two Houses Site 3 RAF North Colerne Fosse Way Colerne Chippenham Wilts SN14 8QR | ST 8009 7262 |
|---|--------------|

| | |
|---|--------------|
| Two Mills Lodge Stroud Road Cirencester Glos GL7 6JT | SO 9880 0183 |
|---|--------------|

| | |
|---|--------------|
| Halls Grove House Combend Elkstone Cheltenham Glos GL53 9PU | SO 9851 1181 |
|---|--------------|

| | |
|---|--------------|
| Pinswell Cottage Westbury Farm Colesbourne Cheltenham Glos GL53 9NP | SO 9844 1533 |
|---|--------------|

| | |
|--|--------------|
| White Quarry Cottages Kingham Hill Kingham Oxon OX7 6TE | SP 2610 2640 |
|--|--------------|

**(f) PART OF THE DISTRIBUTION SERVICES AREA OF WESTERN POWER
DISTRIBUTION (SOUTH WALES) PLC**

| | |
|---------|-----------|
| Address | Grid Ref. |
|---------|-----------|

| | |
|--|--------------|
| Pond Farm Faulkland Bath Avon BA3 5UP | ST 7290 5459 |
|--|--------------|

ANNEXE 5
SINGLE SUPPLY LICENCE

PART I. TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(d) of the Electricity Act 1989 ("the Act"), authorises SSE Energy Supply Limited (a company registered in England & Wales under number 3757502) ("the licensee") whose registered office is situated at Southern Electric House, Westacott Way, Littlewick Green, Maidenhead, Berkshire, SL6 3QB, to supply electricity to premises in the area specified in Schedule 1 during the period specified in paragraph 3 below, subject to -
 - (a) the standard conditions of electricity supply licences referred to in Part II below which shall have effect in the licence, subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the Special Conditions");
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the special conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, the Special Conditions or the conditions.
3. This licence, unless revoked in accordance with the terms of Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109(1) of the Electricity Act 1989 (Service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "this licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence-
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.
7. Pursuant to paragraph 5 of standard condition 3 (Application of Section D (Supply Services Obligations)) of the Electricity Supply Licence the "Southern supply services area" is the area specified in Schedule 3A hereto; the "Scottish Hydro supply services area" is the area specified in Schedule 3B hereto; and the "South Wales supply services area" is the area specified in Schedule 3C hereto.

Pursuant to licensing schemes made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28th September 2001 this licence was made and is treated as granted under section 6(1)(d) of the Electricity Act 1989.

PART II. THE STANDARD CONDITIONS

Standard conditions in effect in this licence

| Section A | Section B | Section C | Section D |
|----------------------|------------------------|-----------------------|------------------------|
| Standard condition 1 | Standard condition 5 | Standard condition 31 | Standard condition 51 |
| Standard condition 2 | Standard condition 6 | Standard condition 32 | Standard condition 52 |
| Standard condition 3 | Standard condition 7 | Standard condition 33 | Standard condition 52A |
| Standard condition 4 | Standard condition 8 | Standard condition 35 | Standard condition 53 |
| | Standard condition 8A | Standard condition 36 | Standard condition 53A |
| | Standard condition 8B | Standard condition 37 | Standard condition 53B |
| | Standard condition 9 | Standard condition 38 | Standard condition 53C |
| | Standard condition 10 | Standard condition 39 | Standard condition 54 |
| | Standard condition 11 | Standard condition 40 | |
| | Standard condition 12 | Standard condition 41 | |
| | Standard condition 12A | Standard condition 42 | |
| | Standard condition 12B | Standard condition 43 | |
| | Standard condition 13 | Standard condition 44 | |
| | Standard condition 14 | Standard condition 45 | |
| | Standard condition 15 | Standard condition 46 | |
| | Standard condition 16 | Standard condition 47 | |
| | Standard condition 17 | Standard condition 48 | |
| | Standard condition 18 | Standard condition 49 | |
| | Standard condition 19 | Standard condition 50 | |
| | Standard condition 20 | | |
| | Standard condition 21 | | |
| | Standard condition 22 | | |
| | Standard condition 22A | | |
| | Standard condition 23 | | |
| | Standard condition 24 | | |
| | Standard condition 25 | | |
| | Standard condition 26 | | |
| | Standard condition 27 | | |
| | Standard condition 28 | | |
| | Standard condition 29 | | |
| | Standard condition 29A | | |
| | Standard condition 29B | | |

Note: A copy of the current standard conditions of electricity supply licences can be inspected at the principal office of the Authority. The above list is correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

PART III
AMENDED STANDARD CONDITIONS

1. Standard condition 12A (Prohibition of Discrimination in Selling Electricity) shall be amended by the addition of the following text as a new paragraph 2(c) of that condition:

"(c) do not include the sale of electricity to Scottish Power Generation Limited in its capacity as a purchaser of electricity from the licensee under any of the restructuring agreements."

2. Standard condition 12B (Prohibition of Cross-Subsidies) shall be amended by the addition of the following text as a new paragraph 2 of that condition:

"2. Nothing which the licensee is obliged to do or not to do pursuant to this licence or any other document which grants a licence to the licensee under the Act shall be regarded as a cross-subsidy for the purposes of this condition."

PART IV. SPECIAL CONDITIONS

Special Condition A: Interpretation and Application

1. Unless the context otherwise requires words and expressions used in the standard conditions of this licence shall bear the same meaning in these Special Conditions.
2. Any reference in these Special Conditions to -
 - (a) a provision thereof;
 - (b) a provision of the standard conditions;
 - (c) a provision of the standard conditions of electricity generation licences;
 - (d) a provision of the standard conditions of electricity distribution licences;
 - (e) a provision of the standard conditions of electricity transmission licences;shall, 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.
3. The Special Conditions and Schedules listed in Table 1 below apply only to the Southern supply services area (as defined in paragraph 7 of the Terms to this licence); the Special Conditions and Schedules listed in Table 2 apply only to the Scottish Hydro supply services area (as defined in paragraph 7 of the Terms to this licence); and the Special Conditions and Schedules listed in Table 3 apply only to the South Wales supply services area (as defined in paragraph 7 of the Terms to this licence).

Table 1 - Special Conditions and Schedule in relation to the Southern supply services area

| |
|--|
| Special Condition C (Definitions) |
| Special Condition D (Restraint on Supply Charges in England & Wales) |
| Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions) |
| Special Condition F (Allowances in respect of security costs) |
| Special Condition G (Duration of charge restriction conditions) |
| Schedule A: Supplementary provisions of the charge restriction conditions |
| Special Condition M (Restriction on self-supply) |

Table 2 - Special Conditions and Schedule in relation to the Scottish Hydro supply services area

| |
|--|
| Special Condition H (Definitions) |
| Special Condition I (Restraints on Supply Charges in Scotland) |
| Special Condition J (Information to be provided to the Authority in connection with the charge restriction conditions) |
| Special Condition K (Allowances in respect of security costs) |

| |
|---|
| Special Condition L (Duration of charge restriction conditions) |
| Schedule B: Supplementary provisions of the charge restriction conditions |

Table 3 - Special Conditions and Schedule in relation to the South Wales supply services area

| |
|---|
| Special Condition N (Definitions) |
| Special Condition O (Restraints on Supply Charges) |
| Special Condition P (Information to be provided to that Authority in connection with the Charge Restriction Conditions) |
| Special Condition Q (Allowance in respect of security costs) |
| Special Condition R (Duration of Charge Restriction Conditions) |
| Schedule C: Supplementary provisions of the Charge Restriction Conditions |
| Special Condition S (Restriction on self-supply) |

Special Condition B: Submission of certain agreements

1. The licensee shall not make an amendment to a specified agreement or enter into any agreement which amends a specified agreement except with the prior written approval of the Authority.
2. The licensee shall comply with the relevant provisions of the nuclear energy agreement.
3. For the purposes of this Condition:

“specified agreements” means agreements relating to the following matters, namely:

- (a) the provision by Scottish Power Generation Limited to the licensee of 576MW of capacity from the Longannet and Cockenzie Power Stations;
- (b) the provision by the licensee to Scottish Power Generation Limited of 200 MW of hydro-generated capacity;
- (c) the provision by the licensee to Scottish Power Generation Limited of a 50% share of the capacity of Peterhead Power Station (including rights and obligations relative to the consumption of electricity generated from 50% (or 70% in peak periods) of the gas supplied to Peterhead Power Station from the Miller Field);
- (d) the provision by Scottish Nuclear Limited to the licensee and Scottish Power Generation Limited (in the respective proportions of 25.1% and 74.9%) of all electricity generated by Scottish Nuclear Limited from the nuclear stations at Hunterston and Torness (net of electricity consumed by such stations themselves).

“amendment” in relation to any agreement shall (without limiting the generality) include the making, entering into and granting of:

- (a) any agreement which terminates, extends the duration of, varies or has

the effect of affecting in any other way any right and/or obligation (or the enforceability of any right and/or obligation) of any person under the first mentioned agreement; and

- (b) any waiver or purported waiver (whether or not constituted or evidenced by any written document, and whether express, implied or otherwise) of any right of any person under that agreement.

"agreement"

includes any contract or arrangement (whether or not constituted or evidenced by any written document).

"nuclear energy agreement"

means the specified agreement relating to the matter referred to in sub-paragraph (d) of the definition of specified agreements as amended from time to time with the approval of the Authority given pursuant to this Condition.

"relevant provisions of the nuclear energy agreement"

means such provisions of the nuclear energy agreement as are set out in a notice designated by the Secretary of State for the purpose of this Condition which is given to the Licensee not later than 60 days after: (i) the date on which the nuclear energy agreement is submitted to the Authority pursuant to paragraph 1 of condition 7 (Submission of certain agreements), Part II, of the Composite Licence of Scottish and Southern Energy in force as at 27 September 2001; or (ii) (if the nuclear energy agreement is entered into and submitted pursuant to paragraph 2 of condition 7 (Submission of certain agreements), Part II, of the Composite Licence of Scottish and Southern Energy in force as at 27 September 2001) the date on which it is submitted to the Authority pursuant to that paragraph, and such

provisions shall have effect as if they were set out in this Condition.

Special Condition C: Definitions

1. This Condition and Special Conditions D to G and Schedule A shall apply only to the Southern supply services area (such area is referred to in these Special Conditions as the "Southern area").

2. In this Condition, in Special Conditions D to G and in Schedule A:

| | |
|---------------------------------|---|
| "attributed" | means when used in relation to the fossil fuel levy or payments in lieu thereof or in relation to attributing electricity purchase or sale contracts and electricity purchase costs to domestic customers, attributed in accordance with the principles set out in Part A of Schedule A and attribute, attributed, attributable and attribution shall be construed accordingly. |
| "charge restriction conditions" | means Special Conditions C to G together with Schedule A to this licence, as from time to time modified or replaced in accordance with the provisions of the Act. |
| "electricity purchase costs" | means the licensee's purchase costs of electricity calculated in accordance with the principles in the Public Electricity Supply Licence previously granted to Southern Electric in force on 31 March 1998. |
| "eleventh relevant year" | means the relevant year commencing 1 April 2000. |
| "excluded services" | means those services provided by the licensee which in accordance with the principles set out in Part B of Schedule A fall to be treated as excluded services. |
| "metered" | means, in relation to any quantity supplied, as measured by a meter installed for such purpose or (where no such meter is installed or it is not reasonably practicable to measure the quantity by such meter) as otherwise reasonably calculated. |
| "quantity supplied" | means the aggregate quantity of units supplied by the licensee in the relevant year metered at the points of supply (whether or not in the supply services area of the licensee). |
| "relevant supply services area" | means the Southern area listed in column 1 of annexes A-F of Special Condition D (Restraints on Supply Charges in |

England & Wales).

| | |
|-------------------------|--|
| “relevant year” | means a financial year commencing on or after 1st April 1990. |
| “relevant year t” | means that relevant year for the purposes of which any calculation falls to be made. |
| “relevant year t-1” | means the relevant year preceding relevant year t or, in respect of the period prior to 1st April 1990, the period of 12 calendar months commencing on 1st April 1989 and similar expressions shall be construed accordingly. |
| “supply” | means supply in the Southern area; and “supplied” and similar expressions shall be construed accordingly. |
| “supply charges” | means all charges (including charges for the use of any distribution or transmission system and standing charges) made by the licensee in respect of electricity supplied by the licensee other than charges for the provision of excluded services by the licensee. |
| “supply revenue” | means the revenue (measured on an accruals basis) derived by the licensee from supply charges after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived. |
| “twelfth relevant year” | means the relevant year commencing 1 April 2001. |
| “unit” | means a kilowatt hour. |

Special Condition D: Restraints on Supply Charges in England & Wales

Availability of Restricted Charges

1. The licensee shall make available and continue to make available to all Domestic Customers the Standard Domestic Charge and the Domestic Economy 7 Charge.
2. The licensee shall not, without the consent in writing of the Authority, change the terms (other than price, which shall be regulated in accordance with this Condition) of any Restricted Charge, and the terms to which this prohibition applies include, for example, the hours between which particular prices apply and the level of consumption at which prices change.

Restraints on Prices for Restricted Charges

3. Without prejudice to Special Condition F (Allowances in respect of security costs), and subject to paragraph 16, the licensee shall, in addition to complying with paragraphs 10, 11, 12 and (where appropriate) 13, ensure that at any point in time in the eleventh relevant year the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed limits imposed by paragraph 6 and paragraph 8 respectively.
4. Without prejudice to Special Condition F (Allowances in respect of security costs), and subject to paragraph 16, the licensee shall, in addition to complying with paragraphs 10 to 15, ensure that at any point in time in the twelfth relevant year the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed limits imposed by paragraph 7 and paragraph 9 respectively.
5. Without prejudice to Special Condition F (Allowances in respect of security costs), and subject to paragraph 16, the licensee shall, in addition to complying with paragraphs 12 to 15, ensure that at any point in time in the thirteenth and subsequent relevant years, the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed the limits imposed by paragraph 7 and paragraph 9 respectively, and the limits imposed by paragraph 15;

where in paragraphs 7, 9, and 15 :

references to the 'twelfth relevant year' are replaced by reference to the relevant subsequent relevant year

references to 't+1' are to be construed as references to the relevant subsequent relevant year

references to 't' are to be construed as references to the year preceding the relevant subsequent relevant year

Restraint on Standard Domestic Charge

6. The Standard Domestic Charge shall be set so that at any point in time in the eleventh relevant year the weighted average unit price of that charge represented by the term WP_{SDt} does not exceed the lower of the two formulae given under (a) and (b) :

$$(a) \quad ((B_{SDt} + D_{SDt} + T_{SDt}) \times 1.015) \times (1 + (F_t/100))$$

$$(b) \quad WP_{SDt} \times ((1+(F_i/100))/(1+(F_d/100))) \times (1+(RPI_i/100))$$

Where:

WP_{SDt} is set equal to

$$(W_{SD} \times P_{SDt}) + ((1-W_{SD}) \times PPP_{SDt})$$

W_{SD} means the weighting factor given against the relevant supply services area in Column 2 of Annexe D to this Condition

P_{SDt} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300-B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

$B1_{SD}$ has the value given against the relevant supply services area in Column 2 of Annexe E to this Condition

PPP_{SDt} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300-B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

B_{SDt} means the base allowance, subject to paragraph 16, (in respect of generation, supply and transmission services use of system) given against the relevant supply services area in Column 2 of Annexe B to this Condition

D_{SDt} means a sum representing the distribution use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(D_{1SDt} + (3300 \times D_{2SDt}) + D_{3SDt}) / 3300$$

D_{1SDt} is the distribution use of system charge annual standing charge for supplying that customer

D_{2SDt} is the distribution use of system charge in respect of each unit consumed by that customer

D_{3SDt} is the aggregate of all other relevant distribution charges for supplying that customer

T_{SDt} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{SDt} such that the licensee is neither advantaged nor disadvantaged by the change :

$$TNUOS \times 0.1859 \times \text{Loss Adjustment Factor}$$

Where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the eleventh relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss-Adjustment-Factor" means the factor shown against the relevant supply services area in column 2 of Annexe C to this Condition

WP_{SDt-1} is set equal to

$$(W_{SD} \times P_{SDt-1}) + ((1-W_{SD}) \times PPP_{SDt-1})$$

P_{SDt-1} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300-B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

PPP_{SDt-1} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and after taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300-B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

7. The Standard Domestic Charge shall be set so that at any point in time in the twelfth relevant year the weighted average unit price of that charge represented by the term WP_{SDt+1} does not exceed :

$$((B_{SDt+1} + D_{SDt+1} + T_{SDt+1}) \times 1.015) \times (1 + (F_{t+1}/100))$$

Where:

WP_{SDt+1} is set equal to

$$(W_{SD} \times P_{SDt+1}) + ((1-W_{SD}) \times PPP_{SDt+1})$$

W_{SD} means the weighting factor given against the relevant supply services area in Column 2 of Annexe D to this Condition

P_{SDt+1} means the average unit price for the licensee's Standard Domestic Charge in the twelfth relevant year, calculated as follows using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300-B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

$B1_{SD}$ has the value given against the relevant supply services area in Column 2 of Annexe E to this Condition

PPP_{SDt+1} means the average unit price for the licensee's Standard Domestic Charge in the twelfth relevant year, calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge :

$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary unit rate})) / 3300$

B_{SDt+1} is set equal to

$B_{SDt} \times (1 + (RPI_{t+1}/100))$

D_{SDt+1} means a sum representing the distribution use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$(D_{1SDt+1} + (3300 \times D_{2SDt+1}) + D_{3SDt+1}) / 3300$

D_{1SDt+1} is the distribution use of system charge annual standing charge for supplying that customer

D_{2SDt+1} is the distribution use of system charge in respect of each unit consumed by that customer

D_{3SDt+1} is the aggregate of all other relevant distribution charges for supplying that customer

T_{SDt+1} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{SDt+1} such that the licensee is neither advantaged nor disadvantaged by the change :

$TNUOS \times 0.1859 \times \text{Loss Adjustment Factor}$

Where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the twelfth relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss Adjustment Factor" means the factor shown against the relevant supply services area in column 2 of Annexe C to this Condition

For the purposes of this paragraph 7, any cross references to it and this Condition generally the terms B_{SDt} , D_{SDt} , and T_{SDt} shall have the meanings given respectively, in paragraph 6 above.

Restraint on Domestic Economy 7 Charge

8. The Domestic Economy 7 Charge shall be set so that at any point in time in the eleventh relevant year the weighted average unit price of that charge represented by the term WP_{E7t} does not exceed the lower of the two formulae given under (a) and (b) :

- (a) $((B_{E7t} + D_{E7t} + T_{E7t}) \times 1.015) \times (1 + (F_t/100))$
- (b) $WP_{E7t-1} \times ((1 + (F_t/100)) / (1 + (F_d/100))) \times (1 + (RPI_t/100))$

Where:

WP_{E7t} is set equal to

$$(W_{E7} \times P_{E7t}) + ((1 - W_{E7}) \times PPP_{E7t})$$

W_{E7} means the weighting factor given against the licensee's name in Column 3 of Annexe D to this Condition

P_{E7t} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

$B1_{E7}$ has the value given against the relevant supply services area in Column 3 of Annexe E to this Condition

PPP_{E7t} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge :

$$(((\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate}))) / 6600$$

B_{E7t} means the base allowance, subject to paragraph 16, (in respect of generation, supply and transmission services use of system) given against the relevant supply services area in Column 3 of Annexe B to this Condition

D_{E7t} means a sum representing the distribution use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(D_{1E7t} + (3000 \times D_{2E7t}) + (3600 \times D_{3E7t}) + D_{4E7t}) / 6600$$

D_{1E7t} is the distribution use of system charge annual standing charge for supplying that customer

D_{2E7t} is the distribution use of system charge in respect of each day unit consumed by that customer

D_{3E7t} is the distribution use of system charge in respect of each night unit consumed by that customer

D_{4E7t} is the aggregate of all other relevant distribution use of system charges for supplying that customer

T_{E7t} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{E7t} such that the licensee is neither advantaged nor disadvantaged by the change :

$$TNUOS \times 0.1162 \times \text{Loss Adjustment Factor}$$

where

‘TNUOS’ is the transmission network use of system charge (expressed in pence per kWh) published for the eleventh relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

“Loss Adjustment Factor” means the factor shown against the relevant supply services area in column 3 of Annexe C to this Condition

WP_{E7t-1} is set equal to

$$(W_{E7} \times P_{E7t-1}) + ((1 - W_{E7}) \times PPP_{E7t-1})$$

P_{E7t-1} means the average unit price for the licensee’s Domestic Economy 7 Charge calculated as follows, using the licensee’s published rates for that charge as at the end of the tenth relevant year, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

$B1_{E7}$ has the value given against the relevant supply services area in Column 3 of Annexe E

PPP_{E7t-1} means the average unit price for the licensee’s Domestic Economy 7 Charge calculated as follows, using the licensee’s published rates for that charge at the end of the tenth relevant year, and after taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

9. The Domestic Economy 7 Charge shall be set so that at any point in time in the twelfth relevant year the weighted average unit price of that charge represented by the term WP_{E7t+1} does not exceed :

$$((B_{E7t+1} + D_{E7t+1} + T_{E7t+1}) \times 1.015) \times (1 + (F_{t+1}/100))$$

Where:

WP_{E7t+1} is set equal to

$$(W_{E7} \times P_{E7t+1}) + ((1 - W_{E7}) \times PPP_{E7t+1})$$

W_{E7} means the weighting factor given against the relevant supply services area in Column 3 of Annexe D to this Condition

P_{E7t+1} means the average unit price for the licensee's Domestic Economy 7 Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge:

$$\frac{(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate}))}{6600}$$

$B1_{E7}$ has the value given against the relevant supply services area in Column 3 of Annexe E to this Condition

PPP_{E7t+1} means the average unit price for the licensee's Domestic Economy 7 Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge :

$$\frac{(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate}))}{6600}$$

B_{E7t+1} is set equal to

$$B_{E7t} \cdot (1 + (RPI_{t+1}/100))$$

D_{E7t+1} means a sum representing the distribution use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(D_{1E7t+1} + (3000 \times D_{2E7t+1}) + (3600 \times D_{3E7t+1}) + D_{4E7t+1}) / 6600$$

D_{1E7t+1} is the distribution use of system charge annual standing charge for supplying that customer

D_{2E7t+1} is the distribution use of system charge in respect of each day unit consumed by that customer

D_{3E7t+1} is the distribution use of system charge in respect of each night unit consumed by that customer

D_{4E7t+1} is the aggregate of all other relevant distribution charges for supplying that customer

T_{E7t+1} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{E7t+1} such that the licensee is neither advantaged nor disadvantaged by the change :

$$TNUOS \times 0.1162 \times \text{Loss Adjustment Factor}$$

where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the twelfth relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss Adjustment Factor" means the factor shown against the relevant supply services area in column 3 of Annexe C to this Condition

For the purposes of this paragraph 9, any cross references to it and this Condition generally the terms B_{E7t} , D_{E7t} , and T_{E7t} shall have the meanings given respectively, in paragraph 8 above.

Supplementary Restrictions

10. Without prejudice to Special Condition F (Allowances in respect of security costs), at the beginning of the eleventh relevant year the licensee shall set its prices on the Restricted Charges so that, except with the prior written consent of the Authority, in addition to complying with paragraph 6 or, as the case may be, paragraph 8, the limits in paragraph 11 shall apply.

11. The standing charge and unit rates for the Standard Domestic Charge and Domestic Economy 7 Charge shall not at any point in time in the eleventh relevant year exceed in each case the charges made at the end of the tenth relevant year, multiplied by the formula :

$$(1 + (RPI_t / 100)) \times ((1 + (F_t / 100)) / (1 + (F_d / 100)))$$

12. Without prejudice to Special Condition F (Allowances in respect of security costs), throughout the eleventh and subsequent relevant years, the licensee shall set its prices on all charges available to domestic customers (other than the Restricted Charges) so that the standing charge, unit rate or rates and any other component parts of the charges shall not, except with the prior written consent of the Authority in the relevant year t exceed:

$$C_{pt} \times (1 + (RPI_t / 100)) \times ((1 + (F_t / 100)) / (1 + (F_d / 100)))$$

Where

C_{pt} means each of the standing charge, unit rate or rates, and other component parts of the charge, approved by the Authority, prevailing on 31 March of the previous relevant year. Hence for the purposes of the eleventh relevant year, C_{pt} means each of the standing charge, unit rate or rates, and other component parts of the charge, prevailing at the end of the tenth relevant year.

Prepayment Meter Charges

13. In the eleventh and subsequent relevant years, the total charge in any domestic prepayment meter charge, including charges made for the provision of the prepayment meter, shall not exceed the total charge made in the equivalent domestic charge by more than the amount given against the relevant supply services area in column 2 of Annexe F.
14. The Authority may by direction specify which charges are to be deemed prepayment meter charges and which charges are their equivalent domestic charges.

Standing charges and unit rates

15. (a) Without prejudice to Special Condition F (Allowances in respect of security costs), throughout the twelfth relevant year and every subsequent relevant year, the licensee shall set its prices for the Standard Domestic Charge and the Domestic Economy 7 Charge so that, except with the prior written consent of the Authority, the standing charge, unit rate or rates and any other component part of those charges shall not exceed the formula given in sub-paragraph (b),

Provided that if in the application of the formulae in paragraphs 7 and 9 in relevant year t:

the value of D_{SDt+1} in relation to the Standard Domestic Charge exceeds

$$D_{SDt} \times (1 + (RPI_t / 100))$$

or the value of T_{SDt+1} in relation to the Standard Domestic Charge exceeds

$$T_{SDt} \times (1 + (RPI_t / 100))$$

or the value of D_{E7t+1} in relation to the Domestic Economy 7 Charge exceeds

$$D_{E7t} \times (1 + (RPI_t / 100))$$

or the value of T_{E7t+1} in relation to the Domestic Economy 7 Charge exceeds

$$T_{E7t} \times (1 + (RPI_t / 100))$$

then the licensee may increase that Restricted Charge up to the level allowed by the paragraphs 7 or 9 as appropriate.

- (b) The formula referred to in paragraph (a) is :

$$RTC_{pt} \times (1 + (RPI_t / 100)) \times ((1 + (F_v / 100)) / (1 + (F_d / 100)))$$

Where

RTC_{pt} means each of the standing charge, unit rate or rates, and other component parts of the relevant Restricted Charge, prevailing at the end of relevant year t-1.

Generation, Supply Business, and Transmission Services Use of System Costs

16. If the costs to the licensee of procuring or providing generation, supply or transmission services use of system increase substantially in the aggregate due to factors outside the licensee's control and for which the licensee would not reasonably have been expected to have provided so that the amount allowed for under the terms B_{SD} and B_{E7} in the formulae given in paragraphs 6 to 9 no longer remunerate the licensee appropriately, the Authority may direct that, in the eleventh or any subsequent relevant year (including any year to which paragraph 5 applies), the limits imposed by paragraphs 6 to 9 shall be raised to the extent specified in the direction.

Fossil fuel levy

17. If at any time after the licensee has set its prices for a relevant year the value of F_t is changed by an amount which is less than half a percentage point in the value of the then prevailing rate for F_t , after taking account of all other changes in the value of F_t since its prices were set, the licensee shall not be required, solely on that account, to change the prices it has set.

Reporting requirements

18. Every three months, in each of the eleventh and subsequent relevant years, the licensee shall submit to the Authority statements summarising the costs of purchasing electricity for its supply business. Such statements shall be in a form approved by the Authority, and shall as a minimum include total and average costs under electricity purchase contracts for the supply business, and that part to be attributed to the domestic sector, for the relevant year to date and forecast for the relevant year as a whole.

Timing

- 19 (a) This paragraph applies where :
- (i) a reduction has been or is to be made in charges for distribution use of system or transmission network use of system;
 - (ii) the effect of the reduction is or would be, if the licensee did not reduce its Restricted Charges, to cause the prices set by the licensee to exceed the limits on prices imposed by this Condition; and
 - (iii) the licensee reasonably expects further changes to be made to the charges for distribution use of system or transmission network use of system which will further alter the limits on prices imposed by this Condition.
- (b) Where this paragraph applies, the licensee may give notice to the Authority :
- (i) specifying the reduction in charges for distribution use of system or transmission network use of system which have been or are to be made;
 - (ii) describing the effect of the reduction on the limits on prices imposed by this Condition; and
 - (iii) giving particulars of the further changes which it expects to be made in charges for distribution use of system or transmission network use of system, including particulars of the grounds for that expectation.
- (c) If the licensee gives such notice to the Authority, and the grounds for the explanation given in the notice are reasonable, the licensee shall be deemed not to be in breach (to the extent only that such breach is attributable to the reduction in charges specified in the notice) of any limit on prices imposed by this Condition during the period beginning with the date on which the Authority receives the notice and ending with the date specified in a direction given pursuant to sub-paragraph (d) or, if no such direction is given, 28 days after the reduction in prices referred to in sub-paragraph (b)(i) takes effect.
- (d) The Authority may give a direction
- (i) specifying the end of the period during which the licensee is deemed not to be in breach of the limits on prices imposed by this Condition on account of the change in charges specified in the notice (which period may be shorter or longer than 28 days from when the change in charges takes effect) and / or
 - (ii) requiring the licensee to make such reductions in its Restricted Charges during such period as is specified in the direction as will secure that the licensee makes no

significant gain as a result of its being deemed not to be in breach of any limit on prices imposed by this Condition.

Interpretation

20. In this Condition -

- (a) ~~all prices and revenue shall exclude value added tax (if any);~~
- (b) where published prices do not include an allowance for the fossil fuel levy, for the purposes of this condition such prices shall be adjusted to include the relevant fossil fuel levy;
- (c) any reference to the first relevant year means the relevant year commencing 1 April 1990 and any reference to the second relevant year and so on shall be construed accordingly;
- (d) in addition to the definitions given within this Condition the following term(s) shall have the following meaning :

“Standard Domestic Charge” means that charge determined by the licensee during the tenth relevant year specified against the relevant supply services area in Column 2 of Annexe A to this Condition;

“Domestic Economy 7 Charge” means that charge determined by the licensee during the tenth relevant year specified against the relevant supply services area in Column 3 of Annexe A to this Condition;

“Restricted Charges” means the Standard Domestic Charge and the Domestic Economy 7 Charge taken together;

“Prompt Payment Discount” means any discount or reduction, given in respect of the relevant year (quantified on the assumption of 3300 kWh annual consumption for a Standard Domestic Charge, and on the basis of 6600 kWh annual consumption for a Domestic Economy 7 Charge), for the prompt or timely payment of bills by cash or cheque, compared with the charge which would be made where payment is not made promptly or on time.

“RPI_t” means the percentage change (whether of positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months July to December (inclusive) in relevant year t-1 and the arithmetic average of the Retail Price Index numbers published or determined with respect to the same months in relevant year t-2.

F_t means the rate of the fossil fuel levy prevailing from time to time

F_d means the fossil fuel levy rate prevailing at 31 March in the previous relevant year. Hence for the purposes of the eleventh relevant year, F_d means 0.3

Annexe A

The Restricted Charges

| Column 1 | Column 2 | Column 3 |
|--------------------|--------------------------------------|---------------------------------------|
| | Standard Domestic Charge | Domestic Economy 7 Charge |
| Eastern Area | Domestic General Charge: Table 2 | Domestic Economy 7 Charge: Table 2 |
| East Midlands Area | Standard Charge | Economy 7 Charge |
| London Area | General Purpose Rate (Quarterly) | Economy 7 Rate (Quarterly) |
| Manweb Area | Domestic 'S' | Economy 7 |
| Midlands Area | D1 Domestic Credit Meter Charge | D5 Domestic Economy 7 Charge |
| Northern Area | Standard Domestic Charge (D1) | Economy 7 Domestic Charge (D1T) |
| NORWEB Area | D13 Domestic Charge | D56 Economy 7 Charge |
| SEEBOARD Area | Standard Domestic | Economy 7 Domestic |
| Southern Area | General Charge (Quarterly) | Economy 7 Charge (Quarterly) |
| South Wales Area | Domestic Standard Charge (Quarterly) | Domestic Economy 7 Charge (Quarterly) |
| South Western Area | Domestic Charge | Economy 7 Charge |
| Yorkshire Area | General Domestic (GD) | Economy 7 (E7) |

Annexe B

Base Allowances

Pence per kWh (2000/01 prices)

| Column 1 | Column 2 | Column 3 |
|--------------------|-----------------------|-----------------------|
| | B_{SD} | B_{E7} |
| | | |
| Eastern Area | 4.867 | 3.766 |
| East Midlands Area | 4.910 | 3.767 |
| London Area | 4.953 | 3.799 |
| Manweb Area | 5.158 | 3.956 |
| Midlands Area | 4.917 | 3.769 |
| Northern Area | 5.012 | 3.833 |
| NORWEB Area | 4.935 | 3.799 |
| SEEBOARD Area | 4.956 | 3.812 |
| Southern Area | 4.961 | 3.805 |
| South Wales Area | 5.128 | 3.893 |
| South Western Area | 5.010 | 3.833 |
| Yorkshire Area | 4.968 | 3.808 |

Annexe C

Peak loss adjustment factors

| Column 1 | Column 2 | Column 3 |
|--------------------|--------------------------|---------------------------|
| | Standard Domestic Charge | Domestic Economy 7 Charge |
| Eastern Area | 1.0877 | 1.0875 |
| East Midlands Area | 1.0893 | 1.0891 |
| London Area | 1.0931 | 1.0928 |
| Manweb Area | 1.1487 | 1.1481 |
| Midlands Area | 1.0880 | 1.0876 |
| Northern Area | 1.0938 | 1.0936 |
| NORWEB Area | 1.0933 | 1.0932 |
| SEEBOARD Area | 1.0975 | 1.0973 |
| Southern Area | 1.0870 | 1.0867 |
| South Wales Area | 1.0915 | 1.0913 |
| South Western Area | 1.0839 | 1.0838 |
| Yorkshire Area | 1.1016 | 1.1012 |

Annexe D

Prompt payment discount weightings

| Column 1 | Column 2 | Column 3 |
|--------------------|----------|----------|
| | W_{SD} | W_{E7} |
| Eastern Area | 0.902 | 0.886 |
| East Midlands Area | 1.000 | 1.000 |
| London Area | 1.000 | 1.000 |
| Manweb Area | 0.424 | 0.401 |
| Midlands Area | 1.000 | 1.000 |
| Northern Area | 0.223 | 0.263 |
| NORWEB Area | 1.000 | 1.000 |
| SEEBOARD Area | 1.000 | 1.000 |
| Southern Area | 0.495 | 0.503 |
| South Wales Area | 1.000 | 1.000 |
| South Western Area | 0.520 | 0.520 |
| Yorkshire Area | 0.314 | 0.262 |

Annexe E

Band blocks

| Column 1 | Column 2 | Column 3 |
|--------------------|------------------------|------------------------|
| | B1_{SD} | B1_{E7} |
| Eastern Area | 2283 | 2076 |
| East Midlands Area | 3300 | 3000 |
| London Area | 3300 | 3000 |
| Manweb Area | 3300 | 3000 |
| Midlands Area | 3300 | 3000 |
| Northern Area | 2272 | 1344 |
| NORWEB Area | 3300 | 3000 |
| SEEBOARD Area | 728 | 1096 |
| Southern Area | 2809 | 3000 |
| South Wales Area | 3300 | 3000 |
| South Western Area | 3300 | 3000 |
| Yorkshire Area | 3300 | 3000 |

Annexe F

Prepayment meter surcharge

| Column 1 | Column 2 |
|--------------------|----------|
| | £ |
| Eastern Area | 11.22 |
| East Midlands Area | 15.00 |
| London Area | 15.00 |
| Manweb Area | 15.00 |
| Midlands Area | 15.00 |
| Northern Area | 15.00 |
| NORWEB Area | 15.00 |
| SEEBOARD Area | 15.00 |
| Southern Area | 15.00 |
| South Wales Area | 15.00 |
| South Western Area | 15.00 |
| Yorkshire Area | 15.00 |

Special Condition E: Information to be provided to the Authority in connection with the charge restriction conditions

1. [No longer used]
2. [No longer used]
3. Not later than three months after the end of a relevant year the licensee shall send the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 5.
4. The statement referred to in the preceding paragraph shall be:
 - (a) accompanied by a report from the Auditors that in their opinion such statement fairly presents each of the specified items referred to in paragraph 5 in accordance with the requirements of the charge restriction conditions; and
 - (b) certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief having made all reasonable enquiries:
 - (i) [No longer used]
 - (ii) there is no amount included in its calculations of allowed security costs under Special Condition F (Allowances in respect of security costs) which represents other than an amount permitted under the charge restriction conditions to be so included;
 - (iii) no service has been treated as an excluded service which was not properly so treated and no amount included in the revenues in respect thereof represents other than bona fide consideration for the provision of the excluded service to which it relates;
 - (iv) all amounts which should properly be taken into account for the purposes of the charge restriction conditions have been taken into account; and
 - (v) [No longer used].
5. The specified items to be contained in the statement referred to in paragraph 3 shall be the following:
 - (a) the information referred to at paragraph 8 of Special Condition F (Allowances in respect of security costs);
 - (b) the statements and information referred to in paragraph A4 and B2 of Schedule A; and

6. Where the Authority issues directions in accordance with paragraph 9 of Special Condition F (Allowances in respect of security costs) or paragraphs A5 and B3 of Schedule A then such directions shall not have effect from a date earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 3 prior to the issue of the directions related, unless such statement (or the accompanying report or certificate under paragraph 4) or any statement, report or certificate in respect of an earlier relevant year was incorrect or was misleading in any material respect.
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7. Where the Authority issues such directions as are referred to in the preceding paragraph the Authority may require the licensee to provide a revised statement in respect of such of the specified items as may be affected by the directions, and the licensee shall comply with such request.

Special Condition F: Allowances in respect of security costs

1. At any time during a security period, the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the charge restriction conditions as may be specified in the notice for the unexpired term of the security period.
2. At any time during a security period, the Authority may (having regard to its duties under the Act or under the Utilities Act 2000) by means of directions:
 - (a) suspend or modify for the unexpired term of the security period the charge restriction conditions or any part or parts thereof; or
 - (b) introduce for the unexpired term of the security period new charge restriction conditions
 - (c) in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate:
 - (i) to enable the licensee to recover by means of increased charges an amount estimated as being equal to the licensee's allowed security costs during such period; and
 - (ii) to ensure that such part of the amount referred to in sub-paragraph (i) above as is estimated as being equal to the allowed security costs incurred by the licensee as costs in its supply business is recovered by appropriate equitable increases in the charges made by the licensee in that business

and the licensee shall comply with the terms of any directions so issued.

3. At any time following a security period, the Authority may (following such consultation with the licensee and others as the Authority may consider appropriate) issue directions suspending or modifying the charge restriction conditions or any part or parts thereof or replacing such directions as may have been made during the security period and introducing such new charge restriction conditions as in the opinion of the Authority are appropriate in all the circumstances (including at the Authority's discretion an appropriate adjustment having regard to any profit gained or foregone by the licensee during the security period), and the licensee shall comply with any directions so issued.
4. At any time within three months after the issue of directions by the Authority under paragraph 3, the licensee may serve on the Authority a disapplication request in respect of such of the charge restriction conditions or any part or parts thereof as are specified in the request.
5. If within three months of the receipt by the Authority of the disapplication request referred to in paragraph 4, the Authority has either not agreed in writing to such disapplication request or has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions, the licensee may deliver one month's written

notice to the Authority terminating the application of the charge restriction conditions (or any part or parts thereof) as were specified in the disapplication request.

6. Subject to paragraphs 7 and 9, the licensee shall in any relevant year be entitled to recover an aggregate amount equal to its allowed security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases on the charges made by the licensee in its supply business.

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7. Paragraph 6 shall not apply in so far as such allowed security costs:

- (a) were otherwise recovered by the licensee; or
- (b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 3 above.

8. The licensee shall following the end of each relevant year provide to the Authority, as being one of the specified items to be contained in the statement referred to at paragraph 4 of Special Condition E (Information to be provided to the Authority in connection with the charge restriction conditions), details in respect of that relevant year of:

- (a) the amount of the licensee's allowed security costs; and
- (b) the aggregate amounts charged under paragraph 6 on account of the licensee's allowed security costs; and
- (c) the bases and calculations underlying the increases in charges made by the licensee in its supply business under paragraph 6.

9. Where the Authority is satisfied that the licensee has recovered amounts in excess of the allowed security costs, the Authority may issue directions requiring the licensee to take such steps as may be specified to reimburse customers of the supply business for the excess amounts charged to them, and the licensee shall comply with any directions so issued provided that if the excess amounts relate to allowed security costs paid to any authorised electricity operator, the licensee shall not be obliged to make any such reimbursement unless and until it has recovered such costs.

10. No amounts charged by the licensee under this Condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the supply charge restriction provisions of Special Condition D (Restraints on Supply Charges in England and Wales) and Special Condition I (Restraints on Supply Charges in Scotland).

11. In this Condition:

“allowed security cost” shall have the meaning ascribed to that term in the Fuel Security Code.

“security period” means a period commencing on the date on which

any direction issued by the Secretary of State under Section 34(4)(b) 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 after having regard to the views of such persons.

Special Condition G: Duration of charge restriction conditions

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.
2. A disapplication request pursuant to this Condition shall (a) be in writing addressed to the Authority, (b) specify the charge restriction conditions (or any part or parts thereof) to which the request relates and (c) state the date from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect.
3. Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than that date which is the later of:
 - (a) a date being not less than 18 months after delivery of the disapplication request; and
 - (b) 31st March 2002.
4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such charge restriction conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to him written notice terminating the application of such charge restriction conditions with effect from the disapplication date or later.
6. A disapplication request or notice served under this Condition may be served in respect of a specified geographic area.

SCHEDULE A: SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION CONDITIONS

Part A. Principles for Attribution

General Principles

- A1. Where for the purposes of the charge restriction conditions, a share of costs borne by the licensee requires to be attributed to any part of the market, the licensee shall make that attribution on a basis which ensures that no more than a fair proportion of those costs, reflecting the costs incurred by the licensee in supplying that part of the market, are so attributed.
- A2. The following paragraphs of this Part of Schedule A are without prejudice to paragraph A1.

Fossil Fuel Levy and payments in lieu thereof

- A3. The fossil fuel levy requiring to be attributed to supplies to domestic customers shall be attributed on the basis of the amount of the levy incorporated in the prices actually charged or to be charged by the licensee on supplies to such customers in the relevant year in respect of which the attribution falls to be made. Amounts in lieu of the fossil fuel levy in respect of purchases of electricity other than leviable electricity requiring to be calculated and then attributed to supplies to domestic customers in any relevant year for the purposes of Special Condition D (Restraints on Supply Charges in England and Wales) shall:
- (a) be calculated as being such amounts as correspond to the lesser of:
 - (i) the premium actually payable (measured on an accruals basis) by the licensee during the relevant year on purchases of electricity other than leviable electricity as representing the benefit to the licensee of being able to treat such electricity as being other than leviable electricity for the purposes of Section 33 of the Act and Regulations thereunder; and
 - (ii) the additional amount that would have been payable (measured on an accruals basis) by the licensee in respect of the fossil fuel levy pursuant to Regulations made under Section 33 of the Act had such electricity been leviable electricity; and
 - (b) be attributed to supplies to domestic customers pro rata to the amount which the quantity supplied to domestic customers bears to the total quantity supplied (in each case in the relevant year in respect of which the attribution falls to be made) or on the basis of the amount referred to in paragraph (a) incorporated in the prices actually charged or to be charged by the licensee on supplies to such customers in the relevant year in respect of which the attribution falls to be made or on such other basis of attribution as the licensee shall previously have agreed with the Authority.

Information to be provided by licensee

- A4. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 3 of Special Condition E (Information to be provided to the Authority in connection with charge restriction conditions), a statement confirming that the calculation of amounts in lieu of the fossil fuel levy and the attribution of the fossil fuel levy and amounts in lieu thereof was ~~made in accordance with the provisions of this Part of Schedule A, accompanied (where appropriate) by:~~
- (a) a statement of the total amounts attributed to domestic customer; and
 - (b) copies of statements prepared under paragraph 1 of Special Condition E (Information to be provided to the Authority in connection with charge restriction conditions) and an explanation of the basis therefor.
- A5. Where the Authority is satisfied that the basis of calculation or attribution (as the case may be) used by the licensee is not in conformity with paragraph A1, the Authority may issue directions specifying an alternative basis of calculation or attribution, and the basis of calculation or attribution by the licensee (as the case may be) shall be adjusted accordingly with effect from the date of issue of the directions or (subject to paragraph 6 of Special Condition E (Information to be provided to the Authority in connection with charge restriction conditions)) such other date as may be specified in those directions.

Part B. Excluded services

- B1. Subject to paragraph B3, a service provided by the licensee as part of its supply business may be treated as an excluded service in so far as it consists of the provision of services for the specific benefit of customers requesting the same and not made available by the licensee as a normal part of such business. For the avoidance of doubt, the provision of facilities for prepayment may not be treated as an excluded service.

Information to be provided to the Authority

- B2. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 3 of Special Condition E (Information to be provided to the Authority in connection with charge restriction conditions), details specifying separately the nature of all services provided as part of its supply business and treated as excluded services by the licensee during the course of such year and stating the revenues derived by the licensee in respect of each such service so treated.

Directions

- B3. Where the Authority is satisfied that in light of the principles set out in paragraph B1 any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect, and the service or services specified in the directions shall cease to be treated as excluded services from the date of issue of the directions or (subject to paragraph 6 of Special Condition E (Information to be provided to the Authority in connection with charge restriction conditions)) such other date as may be specified in the directions.

Special Condition H: Definitions

1. This Condition and Special Conditions I to L and Schedule B shall apply only to the Scottish Hydro supply services area (such area is referred to in these Special Conditions as the "Scottish Hydro area").

2. In this Condition, in Special Conditions I to L and in Schedule B:

| | |
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| "attributed" | means when used in relation to the fossil fuel levy or payments in lieu thereof or in relation to attributing electricity purchase or sale contracts and electricity purchase costs to domestic customers attributed in accordance with the principles set out in Part A of Schedule B and attribute, attributed, attributable and attribution shall be construed accordingly. |
| "charge restriction conditions" | means Special Conditions H to L together with Schedule B to this licence, as from time to time modified or replaced in accordance with the provisions of the Act. |
| "electricity purchase costs" | means the licensee's purchase costs of electricity calculated in accordance with the principles in the Public Electricity Supply Licence previously granted to Scottish and Southern Energy plc in force on 31 March 1998. |
| "excluded services" | means those services provided by the licensee which in accordance with the principles set out in Part B of Schedule B fall to be treated as excluded services. |
| "metered" | means, in relation to any quantity supplied, as measured by a meter installed for such purpose or (where no such meter is installed or it is not reasonably practicable to measure the quantity by such meter) as otherwise reasonably calculated. |
| "quantity supplied" | means the aggregate quantity of units supplied by the licensee in the relevant year metered at the points of supply (whether or not in the supply services area of the licensee). |
| "relevant supply services area" | means the Scottish Hydro Area listed in column 1 of Annexes A-F of Special Condition I (Restraints on Supply Charges in Scotland) |

| | |
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| "relevant year" | means a financial year commencing on or after 1st April 1990. |
| "relevant year t" | means that relevant year for the purposes of which any calculation falls to be made. |
| "relevant year t-1" | means the relevant year preceding relevant year t or, in respect of the period prior to 1st April 1990, the period of 12 calendar months commencing on 1st April 1989 and similar expressions shall be construed accordingly. |
| "supply" | means supply in the Scottish Hydro area; and "supplied" and similar expressions shall be construed accordingly. |
| "supply charges" | means all charges (including charges for the use of any distribution or transmission system and standing charges) made by the licensee in respect of electricity supplied by the licensee other than charges for the provision of excluded services by the licensee. |
| "twelfth relevant year" | means the relevant year commencing on 1 April 2001. |
| "unit" | means a kilowatt hour. |

Special Condition I: Restraints on Supply Charges in Scotland

1. This Condition shall apply only to the Scottish Hydro area.

Availability of Restricted Charges

2. The licensee shall make available and continue to make available to all Domestic Customers the Standard Domestic Charge and the Domestic Economy 7 Charge.
3. The licensee shall not, without the consent in writing of the Authority change the terms (other than price, which shall be regulated in accordance with this Condition) of any Restricted Charge, and the terms to which this prohibition applies include, for example, the hours between which particular prices apply and the level of consumption at which prices change.

Restraints on Prices for Restricted Charges

4. Without prejudice to Special Condition K (Allowances in respect of security costs), and subject to paragraph 17, the licensee shall, in addition to complying with paragraphs 11, 12, 13 and (where appropriate) 14, ensure that at any point in time in the eleventh relevant year the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed limits imposed by paragraph 7 and paragraph 9 respectively.
5. Without prejudice to Special Condition K (Allowances in respect of security costs), and subject to paragraph 17, the licensee shall, in addition to complying with paragraphs 11 to 16, ensure that at any point in time in the twelfth relevant year the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed limits imposed by paragraph 8 and paragraph 10 respectively.
6. Without prejudice to Special Condition K (Allowances in respect of security costs), and subject to paragraph 17, the Licensee shall, in addition to complying with paragraphs 13 to 16, ensure that at any point in time in the thirteenth and subsequent relevant years, the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed the limits imposed by paragraphs 8 and 10 respectively and the limits imposed by paragraph 16;

where in paragraphs 8, 10, and 16:

references to the 'twelfth relevant year' are replaced by reference to the relevant subsequent relevant year; and

references to 't+1' are to be construed as references to the relevant subsequent relevant year; and

references to 't' are to be construed as references to the year preceding the relevant subsequent relevant year.

Restraint on Standard Domestic Charge

7. The Standard Domestic Charge shall be set so that at any point in time in the eleventh relevant year the weighted average unit price of that charge represented by the term WP_{SDt} does not exceed the lower of the two formulae given under (a) and (b) :

$$(a) \quad ((B_{SDt} + D_{SDt} + T_{SDt}) \times 1.015) \times (1 + (F_t/100))$$

$$(b) \quad WP_{SDt-1} \times ((1 + (F_t/100)) / (1 + (F_d/100))) \times (1 + (RPI_t/100))$$

where:

WP_{SDt} is set equal to

$$(W_{SD} \times P_{SDt}) + ((1 - W_{SD}) \times PPP_{SDt})$$

W_{SD} means the weighting factor given against the relevant supply services area in Column 2 of Annexe D to this Condition.

P_{SDt} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

$B1_{SD}$ has the value given against the relevant supply services area in Column 2 of Annexe E to this Condition.

PPP_{SDt} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

B_{SDt} means the base allowance, subject to paragraph 17, (in respect of generation, supply and transmission services use of system) given against the relevant supply services area in Column 2 of Annexe B to this Condition.

D_{SDt} means a sum representing the distribution use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(D_{1SDt} + (3300 \times D_{2SDt}) + D_{3SDt}) / 3300$$

where:

D_{1SDt} is the distribution use of system annual standing charge for supplying that customer;

D_{2SDt} is the distribution use of system charge in respect of each unit consumed by that customer; and

D_{3SDt} is the aggregate of all other relevant distribution charges for supplying that customer.

T_{SDt} means a sum representing the transmission use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(-T_{1SDt} + (3300 \times T_{2SDt})) / 3300$$

where:

T_{1SDt} is the transmission use of system charge annual standing charge attributable to or for supplying that customer;

T_{2SDt} is the transmission use of system charge in respect of each unit consumed by that customer.

WP_{SDt-1} is set equal to

$$(W_{SD} \times P_{SDt-1}) + ((1 - W_{SD}) \times PPP_{SDt-1})$$

where:

P_{SDt-1} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

PPP_{SDt-1} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and after taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

8. The Standard Domestic Charge shall be set so that at any point in time in the twelfth relevant year the weighted average unit price of that charge represented by the term WP_{SDt+1} does not exceed :

$$((B_{SDt+1} + D_{SDt+1} + T_{SDt+1}) \times 1.015) \times (1 + (F_{t+1}/100))$$

where:

WP_{SDt+1} is set equal to

$$(W_{SD} \times P_{SDt+1}) + ((1 - W_{SD}) \times PPP_{SDt+1})$$

W_{SD} means the weighting factor given against the relevant supply services area in Column 2 of Annexe D to this Condition.

P_{SDt+1} means the average unit price for the licensee's Standard Domestic Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

$B1_{SD}$ has the value given against the relevant supply services area in Column 2 of Annexe E to this Condition.

PPP_{SDt+1} means the average unit price for the licensee's Standard Domestic Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge and after taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

B_{SDt+1} is set equal to

$$B_{SDt} \times (1 + (RPI_{t+1}/100))$$

D_{SDt+1} means a sum representing the distribution use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(D_{1SDt+1} + (3300 \times D_{2SDt+1}) + D_{3SDt+1}) / 3300$$

where:

D_{1SDt+1} is the distribution use of system charge annual standing charge for supplying that customer;

D_{2SDt+1} is the distribution use of system charge in respect of each unit consumed by that customer; and

D_{3SDt+1} is the aggregate of all other relevant distribution charges for supplying that customer.

T_{SDt+1} means a sum representing the transmission use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(T_{1SDt+1} + (3300 \times T_{2SDt+1})) / 3300$$

where:

- T_{1SDt+1} is the transmission use of system charge annual standing charge attributable to or for supplying that customer; and
- T_{2SDt+1} is the transmission use of system charge in respect of each unit consumed by that customer.

For the purposes of this paragraph 8, any cross references to it and this Condition ~~generally the terms B_{SDt} , D_{SDt} , and T_{SDt}~~ shall have the meanings given respectively, in paragraph 7 above.

Restraint on Domestic Economy 7 charge

9. The Domestic Economy 7 Charge shall be set so that at any point in time in the eleventh relevant year the weighted average unit price of that charge represented by the term WP_{E7t} does not exceed the lower of the two formulae given under (a) and (b) :

(a)
$$((B_{E7t} + D_{E7t} + T_{E7t}) \times 1.015) \times (1 + (F_t/100))$$

(b)
$$WP_{E7t-1} \times ((1 + (F_t/100)) / (1 + (F_d/100))) \times (1 + (RPI_t/100))$$

where:

WP_{E7t} is set equal to

$$(W_{E7} \times P_{E7t}) + ((1 - W_{E7}) \times PPP_{E7t})$$

and:

W_{E7} means the weighting factor given against the relevant supply services area in Column 3 of Annexe D to this Condition;

P_{E7t} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge and without taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

$B1_{E7}$ has the value given against the relevant supply services area in Column 3 of Annexe E to this Condition.

PPP_{E7t} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge and after taking account of any Prompt Payment Discount available under that charge:

$$((\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate}))) / 6600$$

B_{E7t} means the base allowance, subject to paragraph 17, (in respect of generation, supply and transmission services use of system) given against the relevant supply services area in Column 3 of Annexe B to this Condition.

D_{E7t} means a sum representing the distribution use of system charges incurred by the Licensee in the eleventh relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(D_{1E7t} + (3000 \times D_{2E7t}) + (3600 \times D_{3E7t}) + D_{4E7t}) / 6600$$

where:

D_{1E7t} is the distribution use of system charge annual standing charge for supplying that customer;

D_{2E7t} is the distribution use of system charge in respect of each day unit consumed by that customer;

D_{3E7t} is the distribution use of system charge in respect of each night unit consumed by that customer; and

D_{4E7t} is the aggregate of all other relevant distribution charges for supplying that customer.

T_{E7t} means a sum representing the transmission use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(T_{1E7t} + (3000 \times T_{2E7t}) + (3600 \times T_{3E7t})) / 6600$$

where:

T_{1E7t} is the transmission use of system charge annual standing charge;

T_{2E7t} is the transmission use of system charge in respect of each day unit consumed by that customer; and

T_{3E7t} is the transmission use of system charge in respect of each night unit consumed by that customer.

WP_{E7t-1} is set equal to

$$(W_{E7} \times P_{E7t-1}) + ((1 - W_{E7}) \times PPP_{E7t-1})$$

P_{E7t-1} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

$B1_{E7}$ has the value given against the relevant supply services area in column 3 of Annexe E.

PPP_{E7t-1} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that

charge at the end of the tenth relevant year and after taking account of any Prompt Payment Discount available under that charge:

$$(Annual\ Standing\ Charge + (B1_{E7} \times Day\ Primary\ Unit\ Rate) + ((3000 - B1_{E7}) \times Day\ Secondary\ Unit\ Rate) + (3600 \times Night\ Unit\ Rate)) / 6600$$

10. The Domestic Economy 7 Charge shall be set so that at any point in time in the twelfth relevant year the weighted average unit price of that charge represented by the term WP_{E7t+1} does not exceed :

$$((B_{E7t+1} + D_{E7t+1} + T_{E7t+1}) \times 1.015) \times (1 + (F_{t+1}/100))$$

where:

WP_{E7t+1} is set equal to

$$(W_{E7} \times P_{E7t+1}) + ((1 - W_{E7}) \times PPP_{E7t+1})$$

W_{E7} means the weighting factor given against the relevant supply services area in Column 3 of Annexe D to this Condition;

P_{E7t+1} means the average unit price for the licensee's Domestic Economy 7 Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge :

$$(Annual\ Standing\ Charge + (B1_{E7} \times Day\ Primary\ Unit\ Rate) + ((3000 - B1_{E7}) \times Day\ Secondary\ Unit\ Rate) + (3600 \times Night\ Unit\ Rate)) / 6600$$

$B1_{E7}$ has the value given against the relevant supply services area in Column 3 of Annexe E to this Condition.

PPP_{E7t+1} means the average unit price for the licensee's Domestic Economy 7 Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge and after taking account of any Prompt Payment Discount available under that charge:

$$(Annual\ Standing\ Charge + (B1_{E7} \times Day\ Primary\ Unit\ Rate) + ((3000 - B1_{E7}) \times Day\ Secondary\ Unit\ Rate) + (3600 \times Night\ Unit\ Rate)) / 6600$$

B_{E7t+1} is set equal to

$$B_{E7t} \times (1 + (RPI_{t+1}/100))$$

D_{E7t+1} means a sum representing the distribution use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(D_{1E7t+1} + (3000 \times D_{2E7t+1}) + (3600 \times D_{3E7t+1}) + D_{4E7t+1}) / 6600$$

where:

- D_{1E7t+1} is the distribution use of system charge annual standing charge for supplying that customer
- D_{2E7t+1} is the distribution use of system charge in respect of each day unit consumed by that customer
- D_{3E7t+1} is the distribution use of system charge in respect of each night unit consumed by that customer
- D_{4E7t+1} is the aggregate of all other relevant distribution charges for supplying that customer
- T_{E7t+1} means a sum representing the transmission use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(T_{1E7t+1} + (3000 \times T_{2E7t+1}) + (3600 \times T_{3E7t+1})) / 6600$$

where:

- T_{1E7t+1} is the transmission use of system charge annual standing charge attributable to or for supplying that customer;
- T_{2E7t+1} is the transmission use of system charge in respect of each day unit consumed by that customer; and
- T_{3E7t+1} is the transmission use of system charge in respect of each night unit consumed by that customer.

For the purposes of this paragraph 10, any cross references to it and this condition generally the terms B_{E7t} , D_{E7t} , and T_{E7t} shall have the meanings given respectively, in paragraph 9 above.

Supplementary Restrictions

11. Without prejudice to Special Condition K (Allowances in respect of security costs), at the beginning of the eleventh relevant year the Licensee shall set its prices on the Restricted Charges so that, except with the prior written consent of the Authority, in addition to complying with paragraph 7 of this Condition or, as the case may be, paragraph 9, the limits in paragraph 12 shall apply.
12. The standing charge and unit rates for the Standard Domestic Charge and Domestic Economy 7 Charge shall not at any point in time in the eleventh relevant year exceed in each case the charges made at the end of the tenth relevant year, multiplied by the formula :

$$(1 + (RPI_t / 100)) \times ((1 + (F_t / 100)) / (1 + (F_d / 100)))$$
13. Without prejudice to Special Condition K, (Allowances in respect of security costs) throughout the eleventh and subsequent relevant years, the licensee shall set its prices on all charges available to Domestic Customers (other than the Restricted Charges) so that the standing charge, unit rate or rates and any other component parts of the charges shall not, except with the prior written consent of the Authority, in the relevant year t exceed

$$C_{pt} \times (1 + (RPI_t / 100)) \times ((1 + (F_v/100))/(1 + (F_d/100)))$$

where:

C_{pt} means each of the standing charge, unit rate or rates, and other component parts of the charge, approved by the Authority, prevailing on 31 March of the previous relevant year. Hence for the purposes of the eleventh relevant year, C_{pt} means each of the standing charge, unit rate or rates, and other component parts of the charge prevailing at the end of the tenth relevant year.

Prepayment Meter Charges

14. In the eleventh and subsequent relevant years, the total charge in any domestic prepayment meter charge, including any charges made for the provision of the prepayment meter, shall not exceed the total charge made in the equivalent domestic charge by more than the amount given against the relevant supply services area in column 2 of Annex F.
15. The Authority may by direction specify both which charges are to be deemed prepayment meter charges and which charges are their equivalent domestic charges.

Standing charges and unit rates

- 16.(a) Without prejudice to Special Condition K (Allowances in respect of security costs), throughout the twelfth relevant year and every subsequent relevant year, the licensee shall set its prices for the Standard Domestic Charge and the Domestic Economy 7 Charge so that, except with the prior written consent of the Authority, the standing charge, unit rate or rates and any other component part of those charges shall not exceed the formula given in sub-paragraph (b),

Provided that if in the application of the formulae in paragraphs 8 and 10 in relevant year t :

the value of D_{SDt+1} in relation to the Standard Domestic Charge exceeds

$$D_{SDt} \times (1 + (RPI_t / 100))$$

or the value of T_{SDt+1} in relation to the Standard Domestic Charge exceeds

$$T_{SDt} \times (1 + (RPI_t / 100))$$

or the value of D_{E7t+1} in relation to the Domestic Economy 7 Charge exceeds

$$D_{E7t} \times (1 + (RPI_t / 100))$$

or the value of T_{E7t+1} in relation to the Domestic Economy 7 Charge exceeds

$$T_{E7t} \times (1 + (RPI_t / 100))$$

then the licensee may increase that Restricted Charge up to the level allowed by the paragraphs 8 or 10 as appropriate.

- (b) The formula referred to in paragraph (a) is :

$$RTC_{pt} \cdot (1+(RPI_t/100)) \times ((1+(F_t/100))/(1+(F_d/100)))$$

where:

RTC_{pt} means each of the standing charge, unit rate or rates, and other component parts of the relevant Restricted Charge, prevailing at the end of relevant year t-1.

Generation, Supply Business, and Transmission Services Use of System Costs

17. If the costs to the licensee of procuring or providing generation, supply or transmission services use of system increase substantially in the aggregate due to factors outside the licensee's control and for which the licensee would not reasonably have been expected to have provided so that the amount allowed for under the terms B_{SD} and B_{E7} in the formulae given in paragraphs 7 to 10 no longer remunerate the licensee appropriately, the Authority may direct that, in the eleventh or any subsequent relevant year (including any year to which paragraph 6 applies), the limits imposed by paragraphs 7 to 10 shall be raised to the extent specified in the direction.

Fossil fuel levy

18. If at any time after the licensee has set its prices for a relevant year the value of F_t is changed by an amount which is less than half a percentage point in the then prevailing rate of F_t , after taking account of all other changes in the value of F_t since its prices were set, the licensee shall not be required, solely on that account, to change the prices it has set.

Reporting requirements

19. Every three months, in each of the eleventh and subsequent relevant years, the licensee shall submit to the Authority statements detailing the costs of purchasing electricity for its supply business. Such statements shall be in a form approved by the Authority, and shall as a minimum include total and average costs under electricity purchase contracts for the supply business, and that part to be attributed to the domestic sector, for the relevant year to date and forecast for the relevant year as a whole.

Timing

- 20.(a) This paragraph applies where :
- (i) a reduction has been or is to be made in charges for distribution use of system or transmission network use of system;
 - (ii) the effect of the reduction is or would be, if the licensee did not reduce its Restricted Charges, to cause the prices set by the licensee to exceed the limits on prices imposed by this Condition; and

- (iii) the licensee reasonably expects further changes to be made to the charges for distribution use of system or transmission network use of system which will further alter the limits on prices imposed by this Condition.
- (b) Where this paragraph applies, the licensee may give notice to the Authority:
 - (i) specifying the reduction in charges for distribution use of system or transmission network use of system which have been or are to be made;
 - (ii) describing the effect of the reduction on the limits on prices imposed by this Condition; and
 - (iii) giving particulars of the further changes which it expects to be made in charges for distribution use of system or transmission network use of system, including particulars of the grounds for that expectation.
- (c) If the licensee gives such notice to the Authority, and the grounds for the explanation given in the notice are reasonable, the licensee shall be deemed not to be in breach (to the extent only that such breach is attributable to the reduction in charges specified in the notice) of any limit on prices imposed by this Condition during the period beginning with the date on which the Authority receives the notice and ending with the date specified in a direction given pursuant to sub-paragraph (d) or, if no such direction is given, 28 days after the reduction in prices referred to in sub-paragraph (b)(i) takes effect.
- (d) The Authority may give a direction
 - (i) specifying the end of the period during which the licensee is deemed not to be in breach of the limits on prices imposed by this Condition on account of the change in charges specified in the notice (which period may be shorter or longer than 28 days from when the change in charges takes effect) and / or
 - (ii) requiring the licensee to make such reductions in its Restricted Charges during such period as is specified in the direction as will secure that the licensee makes no significant gain as a result of its being deemed not to be in breach of any limit on prices imposed by this Condition.

Interpretation

21. In this Condition:

- (a) all prices and revenue shall exclude value added tax (if any);
- (b) where published prices do not include an allowance for the fossil fuel levy, for the purposes of this Condition such prices shall be adjusted to include the relevant fossil fuel levy;
- (c) any reference to the first relevant year means the relevant year commencing 1 April 1990 and any reference to the second relevant year and so on shall be construed accordingly;
- (d) in addition to the definitions given within this Condition the following term(s) shall have the following meaning :

“Standard Domestic Charge” means that charge determined by the licensee

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| | during the tenth relevant year specified against the relevant supply services area in Column 2 of Annexe A to this Condition; |
| "Domestic Economy 7 Charge" | means that charge determined by the licensee during the tenth relevant year specified against the relevant supply services area in Column 3 of Annexe A to this Condition; |
| "Restricted Charges" | means the Standard Domestic Charge and the Domestic Economy 7 Charge taken together; |
| "Prompt Payment Discount" | means any discount or reduction, given in respect of the relevant year (quantified on the assumption of 3300 kWh annual consumption for a Standard Domestic Charge, and on the basis of 6600 kWh annual consumption for a Domestic Economy 7 Charge), for the prompt or timely payment of bills by cash or cheque, compared with the charge which would be made where payment is not made promptly or on time. |
| "RPI _t " | means the percentage change (whether of positive or a negative value) in the arithmetic average of the Retail Price Index figures published or determined with respect to each of the six months July to December (inclusive) in relevant year t-1 and the arithmetic average of the Retail Price Index figures published or determined with respect to the same months in relevant year t-2. |
| F _t | means the rate of the fossil fuel levy prevailing from time to time. |
| F _d | means the fossil fuel levy prevailing at 31 March in the previous relevant year. Hence for the purposes of the eleventh relevant year, F _d means 0. |

Annexe A

The Restricted Charges

| Column 1 | Column 2 | Column 3 |
|---------------------|--------------------------|-------------------------|
| ScottishPower Area | Domestic Tariff | White Meter Tariff No.1 |
| Scottish Hydro Area | Domestic Standard Tariff | Domestic Economy Tariff |

Annexe B

Base Allowances

Pence per kWh (2000/01 prices)

| Column 1 | Column 2 | Column 3 |
|---------------------|-----------------------|-----------------------|
| | B_{SD} | B_{E7} |
| ScottishPower Area | 4.967 | 3.814 |
| Scottish Hydro Area | 5.056 | 3.893 |

Annexe C

[Not used]

Annexe D

Prompt payment discount weightings

| Column 1 | Column 2 | Column 3 |
|---------------------|----------|----------|
| | W_{SD} | W_{E7} |
| ScottishPower Area | 0.618 | 0.622 |
| Scottish Hydro Area | 0.530 | 0.530 |

Annexe E

Band blocks

| Column 1 | Column 2 | Column 3 |
|--------------------|------------------------|------------------------|
| | B1_{SD} | B1_{E7} |
| ScottishPower Area | 3300 | 3000 |
| ScottishHydroArea | 3300 | 3000 |

Annexe F

Prepayment meter surcharge

| Column 1 | COLUMN 2 |
|---------------------|----------|
| | £ |
| ScottishPower Area | 15.00 |
| Scottish Hydro Area | 0.00 |

Special Condition J: Information to be provided to the Authority in connection with the charge restriction conditions

1. [No longer used]
2. [No longer used]
3. Not later than three months after the end of a relevant year the licensee shall send the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 5.
4. The statement referred to in the preceding paragraph shall be:
 - (a) accompanied by a report from the Auditors that in their opinion such statement fairly presents each of the specified items referred to in paragraph 5 in accordance with the requirements of the charge restriction conditions; and
 - (b) certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief having made all reasonable enquiries:
 - (i) [No longer used]
 - (ii) there is no amount included in its calculations of allowed security costs under Special Condition K -(Allowances in respect of security costs) which represents other than an amount permitted under the charge restriction conditions to be so included;
 - (iii) no service has been treated as an excluded service which was not properly so treated and no amount included in the revenues in respect thereof represents other than bona fide consideration for the provision of the excluded service to which it relates;
 - (iv) all amounts which should properly be taken into account for the purposes of the charge restriction conditions have been taken into account; and
 - (v) [No longer used].
5. The specified items to be contained in the statement referred to in paragraph 3 shall be the following:
 - (a) the information referred to at paragraph 8 of Special Condition K (Allowances in respect of security costs);

(b) the statements and information referred to in paragraph A4 and B2 of Schedule B;
and

6. Where the Authority issues directions in accordance with paragraph 9 of Special Condition K (Allowances in respect of security costs) or paragraphs A5 and B3 of Schedule B then such directions shall not have effect from a date earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 3 prior to the issue of the directions related, unless such statement (or the accompanying report or certificate under paragraph 4) or any statement, report or certificate in respect of an earlier relevant year was incorrect or was misleading in any material respect.
7. Where the Authority issues such directions as are referred to in the preceding paragraph the Authority may require the licensee to provide a revised statement in respect of such of the specified items as may be affected by the directions, and the licensee shall comply with such request.

Special Condition K: Allowances in respect of security costs

1. At any time during a security period, the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the charge restriction conditions as may be specified in the notice for the unexpired term of the security period.
2. At any time during a security period, the Authority may (having regard to its duties under the Act or under the Utilities Act 2000) by means of directions:
 - (a) suspend or modify for the unexpired term of the security period the charge restriction conditions or any part or parts thereof; or
 - (b) introduce for the unexpired term of the security period new charge restriction conditions
 - (c) in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate:
 - (i) to enable the licensee to recover by means of increased charges an amount estimated as being equal to the licensee's allowed security costs during such period; and
 - (ii) to ensure that such part of the amount referred to in sub-paragraph (i) above as is estimated as being equal to the allowed security costs incurred by the licensee as costs in its supply business is recovered by appropriate equitable increases in the charges made by the licensee in that business.

and the licensee shall comply with the terms of any directions so issued.

3. At any time following a security period, the Authority may (following such consultation with the licensee and others as the Authority may consider appropriate) issue directions suspending or modifying the charge restriction conditions or any part or parts thereof or replacing such directions as may have been made during the security period and introducing such new charge restriction conditions as in the opinion of the Authority are appropriate in all the circumstances (including at the Authority's discretion an appropriate adjustment having regard to any profit gained or foregone by the licensee during the security period), and the licensee shall comply with any directions so issued.
4. At any time within three months after the issue of directions by the Authority under paragraph 3, the licensee may serve on the Authority a disapplication request in respect of such of the charge restriction conditions or any part or parts thereof as are specified in the request.
5. If within three months of the receipt by the Authority of the disapplication request referred to in paragraph 4, the Authority has either not agreed in writing to such disapplication request or has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions, the licensee may deliver one month's written

notice to the Authority terminating the application of the charge restriction conditions (or any part or parts thereof) as were specified in the disapplication request.

6. Subject to paragraphs 7 and 9, the licensee shall in any relevant year be entitled to recover an aggregate amount equal to its allowed security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases on the charges made by the licensee in its supply business.
7. Paragraph 6 shall not apply in so far as such allowed security costs:
 - (a) were otherwise recovered by the licensee; or
 - (b) taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 3 above.
8. The licensee shall following the end of each relevant year provide to the Authority, as being one of the specified items to be contained in the statement referred to at paragraph 4 of Special Condition J (Information to be provided to the Authority in connection with the charge restriction conditions), details in respect of that relevant year of:
 - (a) the amount of the licensee's allowed security costs; and
 - (b) the aggregate amounts charged under paragraph 6 on account of the licensee's allowed security costs; and
 - (c) the bases and calculations underlying the increases in charges made by the licensee in its supply business under paragraph 6.
9. Where the Authority is satisfied that the licensee has recovered amounts in excess of the allowed security costs, the Authority may issue directions requiring the licensee to take such steps as may be specified to reimburse customers of the supply business for the excess amounts charged to them, and the licensee shall comply with any directions so issued provided that if the excess amounts relate to allowed security costs paid to any authorised electricity operator, the licensee shall not be obliged to make any such reimbursement unless and until it has recovered such costs.
10. No amounts charged by the licensee under this Condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the supply charge restriction provisions of Special Condition D (Restraints on Supply Charges in England and Wales) and Special Condition I (Restraints on Supply Charges in Scotland).
11. In this Condition:

“allowed security cost”

means any cost (whenever arising) incurred by the licensee and approved by the Authority as being directly attributable to actions taken or omitted to be taken by the licensee or by any

authorised electricity operator (as the case may be) in consequence of:

- (i) complying with directions issued by the Secretary of State under Section 34(3) or 34(4) of the Act; or
- (ii) implementing recommendations of any committee constituted to advise the Secretary of State as to matters related to his power to issue directions under Section 34 of the Act which are made to and accepted by the Secretary of State in contemplation of circumstances likely to lead to the issue of directions by the Secretary of State under Section 34(3) or 34(4) of the Act;

but for the avoidance of doubt excluding any cost which forms part of Scottish Hydro-Electric Transmission Limited's or Scottish Hydro-Electric Power Distribution Limited's allowed security costs.

“security period”

means a period commencing on the date on which any direction issued by the Secretary of State under Section 34(4)(b) 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 after having regard to the views of such persons.

Special Condition L: Duration of charge restriction conditions

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.
2. A disapplication request pursuant to this Condition shall (a) be in writing addressed to the Authority, (b) specify the charge restriction conditions (or any part or parts thereof) to which the request relates and (c) state the date from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect.
3. Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than that date which is the later of:
 - (a) a date being not less than 18 months after delivery of the disapplication request; and
 - (b) 31st March 2002.
4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such charge restriction conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to him written notice terminating the application of such charge restriction conditions with effect from the disapplication date or later.
6. A disapplication request or notice served under this Condition may be served in respect of a specified geographic area.

SCHEDULE B. SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION CONDITIONS

Part A. Principles for Attribution

General Principles

- A1. Where for the purposes of the charge restriction conditions, a share of costs borne by the licensee requires to be attributed to any part of the market, the licensee shall make that attribution on a basis which ensures that no more than a fair proportion of those costs, reflecting the costs incurred by the licensee in supplying that part of the market, are so attributed.
- A2. The following paragraphs of this Part of Schedule B are without prejudice to paragraph A1.

Fossil Fuel Levy and payments in lieu thereof

- A3. The fossil fuel levy requiring to be attributed to supplies to domestic customers shall be attributed on the basis of the amount of the levy incorporated in the prices actually charged or to be charged by the licensee on supplies to such customers in the relevant year in respect of which the attribution falls to be made.

Information to be provided by licensee

- A4. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 3 of Special Condition J (Information to be provided to the Authority in connection with charge restriction conditions), a statement confirming that the calculation of amounts in lieu of the fossil fuel levy and the attribution of the fossil fuel levy and amounts in lieu thereof was made in accordance with the provisions of this Part of Schedule B, accompanied (where appropriate) by:
- (a) a statement of the total amounts attributed to domestic customers; and
 - (b) copies of statements prepared under paragraph 3 of Special Condition J (Information to be provided to the Authority in connection with charge restriction conditions) and an explanation of the basis therefor.
- A5. Where the Authority is satisfied that the basis of calculation or attribution (as the case may be) used by the licensee is not in conformity with paragraph A1, the Authority may issue directions specifying an alternative basis of calculation or attribution, and the basis of calculation or attribution by the licensee (as the case may be) shall be adjusted accordingly with effect from the date of issue of the directions or (subject to paragraph 6 of Special Condition J (Information to be provided to the Authority in connection with charge restriction conditions)) such other date as may be specified in those directions.

Part B. Excluded services

- B1. Subject to paragraph B3, a service provided by the licensee as part of its supply business may be treated as an excluded service in so far as it consists of the provision of services for the specific benefit of customers requesting the same and not made available by the licensee as a normal part of such business. For the avoidance of doubt, the provision of facilities for prepayment may not be treated as an excluded service.

Information to be provided to the Authority

- B2. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 3 of Special Condition J (Information to be provided to the Authority in connection with charge restriction conditions), details specifying separately the nature of all services provided as part of its supply business and treated as excluded services by the licensee during the course of such year and stating the revenues derived by the licensee in respect of each such service so treated.

Directions

- B3. Where the Authority is satisfied that in light of the principles set out in paragraph B1 any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect, and the service or services specified in the directions shall cease to be treated as excluded services from the date of issue of the directions or (subject to paragraph 6 of Special Condition J (Information to be provided to the Authority in connection with charge restriction conditions)) such other date as may be specified in the directions.

Special Condition M: Restriction on self-supply

1. The licensee shall not at any time after this Condition comes into effect:
 - (a) enter into any new electricity purchase contract or other equivalent agreement or arrangement (directly or indirectly) with an electricity generator which is an affiliate ~~or related undertaking of the licensee for the benefit of that part of the licensee's business which comprises the supply of electricity to former designated customers within the Southern supply services area specified in Schedule 3A;~~
 - (b) *make or permit (without the prior consent of the Authority) any material variation of any electricity purchase contract or other equivalent agreement or arrangement entered into for the benefit of that part of the licensee's business referred to in paragraph 1(a) to which an affiliate or related undertaking of the licensee is a party.*
2. For the purpose of this Condition,

"former designated customer" means a customer who would have fallen within the definition of "designated customer" (as defined in the Public Electricity Supply licence previously granted to Southern Electric plc in the form of that licence in force on 27 September 2001) and who is supplied by the licensee.
3. Subject to paragraph 4, the Authority may in writing direct that this Condition shall cease to have effect in this licence on:
 - (a) the date on which any of Special Conditions D to G is first modified by the Authority; or
 - (b) ~~any date thereafter which is specified in a direction given by the Authority to the licensee for the purpose of this paragraph.~~
4. The Authority may not give a direction under paragraph 3 unless it has first:
 - (a) given not less than 28 days notice of its intention to give the direction in such a manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by it;
 - (b) sent a copy of such notice to the licensee, all other licensed suppliers, and the Consumer Council; and
 - (c) duly considered all objections or representations received by the Authority after the date of publication of the notice which are not withdrawn.

Special Condition N: Definitions

1. This condition and Special Conditions O to R and Schedule C only apply to the South Wales supply services area.

(such area is referred to in these Special Conditions as the "South Wales area").

2. In Special Conditions O to R and in Schedule C:

| | |
|---------------------------------|--|
| "attributed" | means when used in relation to the fossil fuel levy or payments in lieu thereof or in relation to attributing electricity purchase or sale contracts and electricity purchase costs to domestic customers attributed in accordance with the principles set out in Part A of Schedule C and attribute, attributed, attributable and attribution shall be construed accordingly. |
| "charge restriction conditions" | means Special Condition N to R together with Schedule C to this licence, as from time to time modified or replaced in accordance with the provisions of the Act. |
| "electricity purchase costs" | means the licensee's purchase costs of electricity calculated in accordance with the principles in the Public Electricity Supply Licence previously granted to South Wales Electricity plc in force on 31 March 1998. |
| "eleventh relevant year" | means the relevant year commencing 1 April 2000. |
| "excluded services" | means those services provided by the licensee which in accordance with the principles set out in Part B of Schedule C fall to be treated as excluded services. |
| "metered" | means, in relation to any quantity supplied, as measured by a meter installed for such purpose or (where no such meter is installed or it is not reasonably practicable to measure the quantity by such meter) as otherwise reasonably calculated. |
| "quantity supplied" | means the aggregate quantity of units supplied by the licensee in the relevant year metered at the points of supply (whether or not in the South Wales area of the licensee). |
| "relevant year" | means a financial year commencing on or after 1st April 1990. |
| "relevant year t" | means that relevant year for the purposes of which any calculation falls to be made; "relevant year t-1" means the relevant year preceding relevant year t or, in respect of the |

period prior to 1st April 1990, the period of 12 calendar months commencing on 1st April 1989; and similar expressions shall be construed accordingly.

“supply”

means supply in the South Wales area; and “supplied” and similar expressions shall be construed accordingly.

“supply charges”

~~means all charges (including charges for the use of any distribution or transmission system and standing charges) made by the licensee in respect of electricity supplied by the licensee other than charges for the provision of excluded services by the licensee.~~

“twelfth relevant year”

means the relevant year commencing 1 April 2001.

“unit”

means a kilowatt hour.

Special Condition O: Restraints on Supply Charges

Availability of Restricted Charges

1. The licensee shall make available and continue to make available to all Domestic Customers the Standard Domestic Charge and the Domestic Economy 7 Charge.
2. The licensee shall not, without the consent in writing of the Authority, change the terms (other than price, which shall be regulated in accordance with this Condition) of any Restricted Charge, and the terms to which this prohibition applies include, for example, the hours between which particular prices apply and the level of consumption at which prices change.

Restraints on Prices for Restricted Charges

3. Without prejudice to Special Condition Q (Allowance in respect of security costs), and subject to paragraph 16, the licensee shall, in addition to complying with paragraphs 10, 11, 12 and (where appropriate) 13, ensure that at any point in time in the eleventh relevant year the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed limits imposed by paragraph 6 and paragraph 8 respectively.
4. Without prejudice to Special Condition Q (Allowance in respect of security costs), and subject to paragraph 16, the licensee shall, in addition to complying with paragraphs 10 to 15, ensure that at any point in time in the twelfth relevant year the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed limits imposed by paragraph 7 and paragraph 9 respectively.
5. Without prejudice to Special Condition Q (Allowance in respect of security costs), and subject to paragraph 16, the licensee shall, in addition to complying with paragraphs 12 to 15, ensure that at any point in time in the thirteenth and subsequent relevant years, the prices set by the licensee for the Standard Domestic Charge and the Domestic Economy 7 Charge shall not exceed the limits imposed by paragraph 7 and paragraph 9 respectively, and the limits imposed by paragraph 15;

where in paragraphs 7, 9, and 15 :

references to the 'twelfth relevant year' are replaced by reference to the relevant subsequent relevant year

references to 't+1' are to be construed as references to the relevant subsequent relevant year

references to 't' are to be construed as references to the year preceding the relevant subsequent relevant year

Restraint on Standard Domestic Charge

6. The Standard Domestic Charge shall be set so that at any point in time in the eleventh relevant year the weighted average unit price of that charge represented by the term WP_{SDt} does not exceed the lower of the two formulae given under (a) and (b) :

$$(a) \quad (B_{SDt} + D_{SDt} + T_{SDt}) \times 1.015 \times (1 + (F_t/100))$$

(b)
$$WP_{SDt-1} \times ((1+(F_i/100))/(1+(F_d/100))) \times (1+(RPI_t/100))$$

Where:

WP_{SDt} is set equal to

$$(W_{SD} \times P_{SDt}) \pm ((1 - W_{SD}) \times PPP_{SDt})$$

W_{SD} means the weighting factor specified for the South Wales area in Column 2 of Annexe D to this Condition

P_{SDt} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

$B1_{SD}$ has the value specified for the South Wales area in Column 2 of Annexe E to this Condition

PPP_{SDt} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

B_{SDt} means the base allowance, subject to paragraph 16, (in respect of generation, supply and transmission services use of system) specified for the South Wales area in Column 2 of Annexe B to this Condition

D_{SDt} means a sum representing the distribution use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$$(D1_{SDt} + (3300 \times D2_{SDt}) + D3_{SDt}) / 3300$$

$D1_{SDt}$ is the distribution use of system charge annual standing charge for supplying that customer

$D2_{SDt}$ is the distribution use of system charge in respect of each unit consumed by that customer

$D3_{SDt}$ is the aggregate of all other relevant distribution charges for supplying that customer

T_{SDt} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{SDt} such that the licensee is neither advantaged nor disadvantaged by the change :

$$TNUOS \times 0.1859 \times \text{Loss Adjustment Factor}$$

Where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the eleventh relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss Adjustment Factor" means the factor specified for the South Wales area in column 2 of Annexe C to this Condition

WP_{SDt-1} is set equal to

$$(W_{SD} \times P_{SDt-1}) + ((1-W_{SD}) \times PPP_{SDt-1})$$

P_{SDt-1} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300-B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

PPP_{SDt-1} means the average unit price for the licensee's Standard Domestic Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and after taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300-B1_{SD}) \times \text{Secondary unit rate})) / 3300$$

7. The Standard Domestic Charge shall be set so that at any point in time in the twelfth relevant year the weighted average unit price of that charge represented by the term WP_{SDt+1} does not exceed :

$$((B_{SDt+1} + D_{SDt+1} + T_{SDt+1}) \times 1.015) \times (1 + (F_{t+1}/100))$$

Where:

WP_{SDt+1} is set equal to

$$(W_{SD} \times P_{SDt+1}) + ((1-W_{SD}) \times PPP_{SDt+1})$$

W_{SD} means the weighting factor specified for the South Wales area in Column 2 of Annexe D to this Condition

P_{SDt+1} means the average unit price for the licensee's Standard Domestic Charge in the twelfth relevant year, calculated as follows using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary Unit rate}) + ((3300-B1_{SD}) \times \text{Secondary Unit rate})) / 3300$$

$B1_{SD}$ has the value specified for the South Wales area in Column 2 of Annexe E to this Condition

PPP_{SDt+1} means the average unit price for the licensee's Standard Domestic Charge in the twelfth relevant year, calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge :

$(\text{Annual Standing Charge} + (B1_{SD} \times \text{Primary unit rate}) + ((3300 - B1_{SD}) \times \text{Secondary unit rate})) / 3300$

B_{SDt+1} is set equal to

$B_{SDt} \times (1 + (RPI_{t+1}/100))$

D_{SDt+1} means a sum representing the distribution use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Standard Domestic Charge, represented by the formula :

$(D_{1SDt+1} + (3300 \times D_{2SDt+1}) + D_{3SDt+1}) / 3300$

D_{1SDt+1} is the distribution use of system charge annual standing charge for supplying that customer

D_{2SDt+1} is the distribution use of system charge in respect of each unit consumed by that customer

D_{3SDt+1} is the aggregate of all other relevant distribution charges for supplying that customer

T_{SDt+1} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{SDt+1} such that the licensee is neither advantaged nor disadvantaged by the change :

$TNUOS \times 0.1859 \times \text{Loss Adjustment Factor}$

Where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the twelfth relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss Adjustment Factor" means the factor specified for the South Wales area in column 2 of Annexe C to this Condition

For the purposes of this paragraph 7, any cross references to it and this Condition generally the terms B_{SDt} , D_{SDt} , and T_{SDt} shall have the meanings given respectively, in paragraph 6 above.

Restraint on Domestic Economy 7 Charge

8. The Domestic Economy 7 Charge shall be set so that at any point in time in the eleventh relevant year the weighted average unit price of that charge represented by the term WP_{E7t} does not exceed the lower of the two formulae given under (a) and (b) :

$$(a) \quad ((B_{E7t} + D_{E7t} + T_{E7t}) \times 1.015) \times (1 + (F_t/100))$$

$$(b) \quad WP_{E7t-1} \times ((1 + (F_t/100)) / (1 + (F_d/100))) \times (1 + (RPI_t/100))$$

Where:

WP_{E7t} is set equal to

$$(W_{E7} \times P_{E7t}) + ((1 - W_{E7}) \times PPP_{E7t})$$

W_{E7} means the weighting factor specified for the South Wales area in Column 3 of Annexe D to this Condition

P_{E7t} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

$B1_{E7}$ has the value specified for the South Wales area in Column 3 of Annexe E to this Condition

PPP_{E7t} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge :

$$((\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate}))) / 6600$$

B_{E7t} means the base allowance, subject to paragraph 16, (in respect of generation, supply and transmission services use of system) specified for the South Wales area in Column 3 of Annexe B to this Condition

D_{E7t} means a sum representing the distribution use of system charges incurred by the licensee in the eleventh relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula :

$$(D_{1E7t} + (3000 \times D_{2E7t}) + (3600 \times D_{3E7t}) + D_{4E7t}) / 6600$$

D_{1E7t} is the distribution use of system charge annual standing charge for supplying that customer

D_{2E7t} is the distribution use of system charge in respect of each day unit consumed by that customer

D_{3E7t} is the distribution use of system charge in respect of each night unit consumed by that customer

D_{4E7t} is the aggregate of all other relevant distribution use of system charges for supplying that customer

T_{E7t} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{E7t} such that the licensee is neither advantaged nor disadvantaged by the change:

$$TNUOS \times 0.1162 \times \text{Loss Adjustment Factor}$$

where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the eleventh relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss Adjustment Factor" means the factor specified for the South Wales area in column 3 of Annex C to this Condition

WP_{E7t-1} is set equal to

$$(W_{E7} \times P_{E7t-1}) + ((1 - W_{E7}) \times PPP_{E7t-1})$$

P_{E7t-1} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge as at the end of the tenth relevant year, and without taking account of any Prompt Payment Discount available under that charge:

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

$B1_{E7}$ has the value specified for the South Wales area in Column 3 of Annex E

PPP_{E7t-1} means the average unit price for the licensee's Domestic Economy 7 Charge calculated as follows, using the licensee's published rates for that charge at the end of the tenth relevant year, and after taking account of any Prompt Payment Discount available under that charge :

$$(\text{Annual Standing Charge} + (B1_{E7} \times \text{Day Primary Unit Rate}) + ((3000 - B1_{E7}) \times \text{Day Secondary Unit Rate}) + (3600 \times \text{Night Unit Rate})) / 6600$$

9. The Domestic Economy 7 Charge shall be set so that at any point in time in the twelfth relevant year the weighted average unit price of that charge represented by the term WP_{E7t+1} does not exceed :

$$((B_{E7t+1} + D_{E7t+1} + T_{E7t+1}) \times 1.015) \times (1 + (F_{t+1}/100))$$

Where:

WP_{E7t+1} is set equal to

$$(W_{E7} \times P_{E7t+1}) + ((1 - W_{E7}) \times PPP_{E7t+1})$$

- W_{E7} means the weighting factor specified for the South Wales area in Column 3 of Annexe D to this Condition
- P_{E7t+1} means the average unit price for the licensee's Domestic Economy 7 Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge, and without taking account of any Prompt Payment Discount available under that charge:
- $$(Annual\ Standing\ Charge + (B1_{E7} \times Day\ Primary\ Unit\ Rate) + ((3000 - B1_{E7}) \times Day\ Secondary\ Unit\ Rate) + (3600 \times Night\ Unit\ Rate)) / 6600$$
- $B1_{E7}$ has the value specified for the South Wales area in Column 3 of Annex E to this Condition
- PPP_{E7t+1} means the average unit price for the licensee's Domestic Economy 7 Charge in the twelfth relevant year calculated as follows, using the licensee's published rates for that charge, and after taking account of any Prompt Payment Discount available under that charge:
- $$(Annual\ Standing\ Charge + (B1_{E7} \times Day\ Primary\ Unit\ Rate) + ((3000 - B1_{E7}) \times Day\ Secondary\ Unit\ Rate) + (3600 \times Night\ Unit\ Rate)) / 6600$$
- B_{E7t+1} is set equal to
- $$B_{E7t} \cdot (1 + (RPI_{t+1}/100))$$
- D_{E7t+1} means a sum representing the distribution use of system charges incurred by the licensee in the twelfth relevant year in supplying a customer on a Domestic Economy 7 Charge, represented by the formula:
- $$(D_{1E7t+1} + (3000 \times D_{2E7t+1}) + (3600 \times D_{3E7t+1}) + D_{4E7t+1}) / 6600$$
- D_{1E7t+1} is the distribution use of system charge annual standing charge for supplying that customer
- D_{2E7t+1} is the distribution use of system charge in respect of each day unit consumed by that customer
- D_{3E7t+1} is the distribution use of system charge in respect of each night unit consumed by that customer
- D_{4E7t+1} is the aggregate of all other relevant distribution charges for supplying that customer
- T_{E7t+1} is calculated in accordance with the following formula, provided that if the transmission company changes the basis upon which it calculates or charges for transmission network use of system charges, the Authority may by direction amend the formula to produce a value of T_{E7t+1} such that the licensee is neither advantaged nor disadvantaged by the change :
- $$TNUOS \times 0.1162 \times Loss\ Adjustment\ Factor$$
- where

'TNUOS' is the transmission network use of system charge (expressed in pence per kWh) published for the twelfth relevant year and for the zone relevant to the licensee, as set out in the statement provided for in standard condition C7 (Use of System) of the Transmission Licence.

"Loss Adjustment Factor" means the factor specified for the South Wales area in column 3 of Annexe C to this Condition

~~For the purposes of this paragraph 9, any cross-references to it and this Condition generally the terms B_{E7t} , D_{E7t} , and T_{E7t} shall have the meanings given respectively, in paragraph 8 above.~~

Supplementary Restrictions

10. Without prejudice to Special Condition Q (Allowance in respect of security costs), at the beginning of the eleventh relevant year the licensee shall set its prices on the Restricted Charges so that, except with the prior written consent of the Authority, in addition to complying with paragraph 6 or, as the case may be, paragraph 8, the limits in paragraph 11 shall apply.

11. The standing charge and unit rates for the Standard Domestic Charge and Domestic Economy 7 Charge shall not at any point in time in the eleventh relevant year exceed in each case the charges made at the end of the tenth relevant year, multiplied by the formula :

$$(1 + (RPI_t / 100)) \times ((1 + (F_v/100)) / (1 + (F_d/100)))$$

12. Without prejudice to Special Condition Q (Allowance in respect of security costs), throughout the eleventh and subsequent relevant years, the licensee shall set its prices on all charges available to domestic customers (other than the Restricted Charges) so that the standing charge; unit rate or rates and any other component parts of the charges shall not, except with prior written consent of the Authority in the relevant year t exceed:

$$C_{pt} \times (1 + (RPI_t / 100)) \times ((1 + (F_v/100)) / (1 + (F_d/100)))$$

Where

C_{pt} means each of the standing charge, unit rate or rates, and other component parts of the charge, approved by the Authority, prevailing on 31 March of the previous relevant year. Hence for the purposes of the eleventh relevant year, C_{pt} means each of the standing charge, unit rate or rates, and other component parts of the charge, prevailing at the end of the tenth relevant year.

Prepayment Meter Charges

13. In the eleventh and subsequent relevant years, the total charge in any domestic prepayment meter charge, including charges made for the provision of the prepayment meter, shall not exceed the total charge made in the equivalent domestic charge by more than the amount specified for the South Wales area in column 2 of Annexe F.
14. The Authority may by direction specify which charges are to be deemed prepayment meter charges and which charges are their equivalent domestic charges.

Standing charges and unit rates

15. (a) Without prejudice to Special Condition Q (Allowance in respect of security costs), throughout the twelfth relevant year and every subsequent relevant year, the licensee shall set its prices for the Standard Domestic Charge and the Domestic Economy 7 Charge so that, except with the prior written consent of the Authority, the standing charge, unit rate or rates and any other component part of those charges shall not exceed the formula given in sub-paragraph (b),

Provided that if in the application of the formulae in paragraphs 7 and 9 in relevant year t:

the value of D_{SDt+1} in relation to the Standard Domestic Charge exceeds

$$D_{SDt} \times (1 + (RPI_t / 100))$$

or the value of T_{SDt+1} in relation to the Standard Domestic Charge exceeds

$$T_{SDt} \times (1 + (RPI_t / 100))$$

or the value of D_{E7t+1} in relation to the Domestic Economy 7 Charge exceeds

$$D_{E7t} \times (1 + (RPI_t / 100))$$

or the value of T_{E7t+1} in relation to the Domestic Economy 7 Charge exceeds

$$T_{E7t} \times (1 + (RPI_t / 100))$$

then the licensee may increase that Restricted Charge up to the level allowed by the paragraphs 7 or 9 as appropriate.

- (b) The formula referred to in paragraph (a) is :

$$RTC_{pt} \times (1 + (RPI_t / 100)) \times ((1 + (F_t / 100)) / (1 + (F_d / 100)))$$

Where

RTC_{pt} means each of the standing charge, unit rate or rates, and other component parts of the relevant Restricted Charge, prevailing at the end of relevant year t-1.

Generation, Supply Business, and Transmission Services Use of System Costs

16. If the costs to the licensee of procuring or providing generation, supply or transmission services use of system increase substantially in the aggregate due to factors outside the licensee's control and for which the licensee would not reasonably have been expected to have provided so that the amount allowed for under the terms B_{SD} and B_{E7} in the formulae given in paragraphs 6 to 9 no longer remunerate the licensee appropriately, the Authority may direct that, in the eleventh or any subsequent relevant year (including any year to which paragraph 5 applies), the limits imposed by paragraphs 6 to 9 shall be raised to the extent specified in the direction.

Fossil fuel levy

17. If at any time after the licensee has set its prices for a relevant year the value of F_t is changed by an amount which is less than half a percentage point in the value of the then prevailing rate for F_t , after taking account of all other changes in the value of F_t since its prices were set, the licensee shall not be required, solely on that account, to change the prices it has set.

Reporting requirements

18. Every three months, in each of the eleventh and subsequent relevant years, the licensee shall submit to the Authority statements summarising the costs of purchasing electricity for its supply business. Such statements shall be in a form approved by the Authority, and shall as a minimum include total and average costs under electricity purchase contracts for the supply business, and that part to be attributed to the domestic sector, for the relevant year to date and forecast for the relevant year as a whole.

Timing

- 19 (a) This paragraph applies where :
- (i) a reduction has been or is to be made in charges for distribution use of system or transmission network use of system;
 - (ii) the effect of the reduction is or would be, if the licensee did not reduce its Restricted Charges, to cause the prices set by the licensee to exceed the limits on prices imposed by this Condition; and
 - (iii) the licensee reasonably expects further changes to be made to the charges for distribution use of system or transmission network use of system which will further alter the limits on prices imposed by this Condition.
- (b) Where this paragraph applies, the licensee may give notice to the Authority:
- (i) specifying the reduction in charges for distribution use of system or transmission network use of system which have been or are to be made;
 - (ii) describing the effect of the reduction on the limits on prices imposed by this Condition; and
 - (iii) giving particulars of the further changes which it expects to be made in charges for distribution use of system or transmission network use of system, including particulars of the grounds for that expectation.
- (c) If the licensee gives such notice to the Authority, and the grounds for the explanation given in the notice are reasonable, the licensee shall be deemed not to be in breach (to the extent only that such breach is attributable to the reduction in charges specified in the notice) of any limit on prices imposed by this Condition during the period beginning with the date on which the Authority receives the notice and ending with the date specified in a direction given pursuant to sub-paragraph (d) or, if no such direction is given, 28 days after the reduction in prices referred to in sub-paragraph (b)(i) takes effect.
- (d) The Authority may give a direction
- (i) specifying the end of the period during which the licensee is deemed not to be in breach of the limits on prices imposed by this Condition on account of the change in charges specified in the notice (which period may be shorter or longer than 28 days from when the change in charges takes effect) and / or
 - (ii) requiring the licensee to make such reductions in its Restricted Charges during such period as is specified in the direction as will secure that the licensee makes no

significant gain as a result of its being deemed not to be in breach of any limit on prices imposed by this Condition.

Interpretation

20. In this Condition -

- (a) all prices and revenue shall exclude value added tax (if any);
- (b) where published prices do not include an allowance for the fossil fuel levy, for the purposes of this condition such prices shall be adjusted to include the relevant fossil fuel levy;
- (c) any reference to the first relevant year means the relevant year commencing 1 April 1990 and any reference to the second relevant year and so on shall be construed accordingly;
- (d) in addition to the definitions given within this Condition the following term(s) shall have the following meaning :

“Standard Domestic Charge” means that charge determined by the licensee during the tenth relevant year as specified for the South Wales area in Column 2 of Annex A to this Condition;

“Domestic Economy 7 Charge” means that charge determined by the licensee during the tenth relevant year as specified for the South Wales area in Column 3 of Annex A to this Condition;

“Restricted Charges” means the Standard Domestic Charge and the Domestic Economy 7 Charge taken together;

“Prompt Payment Discount” means any discount or reduction, given in respect of the relevant year (quantified on the assumption of 3300 kWh annual consumption for a Standard Domestic Charge, and on the basis of 6600 kWh annual consumption for a Domestic Economy 7 Charge), for the prompt or timely payment of bills by cash or cheque, compared with the charge which would be made where payment is not made promptly or on time.

“RPI_t” means the percentage change (whether of positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months July to December (inclusive) in relevant year t-1 and the arithmetic average of the Retail Price Index numbers published or determined with respect to the same months in relevant year t-2.

F_t means the rate of the fossil fuel levy prevailing from time to time

F_d means the fossil fuel levy rate prevailing at 31 March in the previous relevant year. Hence for the purposes of the eleventh relevant year, F_d means 0.3

ANNEXE A

The Restricted Charges

| Column 1 | Column 2 | Column 3 |
|--------------------|--------------------------------------|---------------------------------------|
| | Standard Domestic Charge | Domestic Economy 7 Charge |
| EASTERN AREA | Domestic General Tariff: Table 2 | Domestic Economy 7 Tariff: Table 2 |
| EAST MIDLANDS AREA | Standard Tariff | Economy 7 Tariff |
| LONDON AREA | General Purpose Rate (Quarterly) | Economy 7 Rate (Quarterly) |
| MANWEB AREA | Domestic 'S' | Economy 7 |
| MIDLANDS AREA | D1 Domestic Credit Meter Tariff | D5 Domestic Economy 7 Tariff |
| NORTHERN AREA | Standard Domestic Tariff (D1) | Economy 7 Domestic Tariff (D1T) |
| NORWEB AREA | D13 Domestic Tariff | D56 Economy 7 Tariff |
| SEEBOARD AREA | Standard Domestic | Economy 7 Domestic |
| SOUTHERN AREA | General Tariff (Quarterly) | Economy 7 Tariff (Quarterly) |
| SOUTH WALES AREA | Domestic Standard Tariff (Quarterly) | Domestic Economy 7 Tariff (Quarterly) |
| SOUTH WESTERN AREA | Domestic Tariff | Economy 7 Tariff |
| YORKSHIRE AREA | General Domestic (GD) | Economy 7 (E7) |

ANNEXE B

Base Allowances

Pence per kWh (2000/01 prices)

| Column 1 | Column 2 | Column 3 |
|--------------------|-----------------------|-----------------------|
| | B_{SD} | B_{E7} |
| | | |
| EASTERN AREA | 4.867 | 3.766 |
| EAST MIDLANDS AREA | 4.910 | 3.767 |
| LONDON AREA | 4.953 | 3.799 |
| MANWEB AREA | 5.158 | 3.956 |
| MIDLANDS AREA | 4.917 | 3.769 |
| NORTHERN AREA | 5.012 | 3.833 |
| NORWEB AREA | 4.935 | 3.799 |
| SEEBOARD AREA | 4.956 | 3.812 |
| SOUTHERN AREA | 4.961 | 3.805 |
| SOUTH WALES AREA | 5.128 | 3.893 |
| SOUTH WESTERN AREA | 5.010 | 3.833 |
| YORKSHIRE AREA | 4.968 | 3.808 |

ANNEXE C

Peak loss adjustment factors

| Column 1 | Column 2 | Column 3 |
|--------------------|--------------------------|---------------------------|
| | Standard Domestic Charge | Domestic Charge Economy 7 |
| EASTERN AREA | 1.0877 | 1.0875 |
| EAST MIDLANDS AREA | 1.0893 | 1.0891 |
| LONDON AREA | 1.0931 | 1.0928 |
| MANWEB AREA | 1.1487 | 1.1481 |
| MIDLANDS AREA | 1.0880 | 1.0876 |
| NORTHERN AREA | 1.0938 | 1.0936 |
| NORWEB AREA | 1.0933 | 1.0932 |
| SEEBOARD AREA | 1.0975 | 1.0973 |
| SOUTHERN AREA | 1.0870 | 1.0867 |
| SOUTH WALES AREA | 1.0915 | 1.0913 |
| SOUTH WESTERN AREA | 1.0839 | 1.0838 |
| YORKSHIRE AREA | 1.1016 | 1.1012 |

ANNEXE D

Prompt payment discount weightings

| Column 1 | Column 2 | Column 3 |
|--------------------|----------|----------|
| | W_{SD} | W_{E7} |
| EASTERN AREA | 0.902 | 0.886 |
| EAST MIDLANDS AREA | 1.000 | 1.000 |
| LONDON AREA | 1.000 | 1.000 |
| MANWEB AREA | 0.424 | 0.401 |
| MIDLANDS AREA | 1.000 | 1.000 |
| NORTHERN AREA | 0.223 | 0.263 |
| NORWEB AREA | 1.000 | 1.000 |
| SEEBOARD AREA | 1.000 | 1.000 |
| SOUTHERN AREA | 0.495 | 0.503 |
| SOUTH WALES AREA | 1.000 | 1.000 |
| SOUTH WESTERN AREA | 0.520 | 0.520 |
| YORKSHIRE AREA | 0.314 | 0.262 |

ANNEXE E

Band blocks

| Column 1 | Column 2 | Column 3 |
|-----------------------|------------------------|------------------------|
| | B1_{SD} | B1_{E7} |
| EASTERN AREA | 2283 | 2076 |
| EAST MIDLANDS AREA | 3300 | 3000 |
| LONDON AREA | 3300 | 3000 |
| MANWEB AREA | 3300 | 3000 |
| MIDLANDS AREA | 3300 | 3000 |
| NORTHERN AREA | 2272 | 1344 |
| NORWEB AREA | 3300 | 3000 |
| SEEBOARD AREA | 728 | 1096 |
| SOUTHERN AREA | 2809 | 3000 |
| SOUTH WALES AREA | 3300 | 3000 |
| SOUTH WESTERN AREA | 3300 | 3000 |
| YORKSHIRE AREA | 3300 | 3000 |

ANNEXE F

Prepayment meter surcharge

| Column 1 | Column 2 |
|--------------------|----------|
| | £ |
| EASTERN AREA | 11.22 |
| EAST MIDLANDS AREA | 15.00 |
| LONDON AREA | 15.00 |
| MANWEB AREA | 15.00 |
| MIDLANDS AREA | 15.00 |
| NORTHERN AREA | 15.00 |
| NORWEB AREA | 15.00 |
| SEEBOARD AREA | 15.00 |
| SOUTHERN AREA | 15.00 |
| SOUTH WALES AREA | 15.00 |
| SOUTH WESTERN AREA | 15.00 |
| YORKSHIRE AREA | 15.00 |

Special Condition P: Information to be provided to the Authority in connection with the charge restriction conditions

1. [No longer used]
2. [No longer used]
3. Not later than three months after the end of a relevant year the licensee shall send the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 5.
4. The statement referred to in the preceding paragraph shall be:
 - (a) accompanied by a report from the Auditors that in their opinion such statement fairly presents each of the specified items referred to in paragraph 5 in accordance with the requirements of the charge restriction conditions; and
 - (b) certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief having made all reasonable enquiries:
 - (i) [No longer used]
 - (ii) ~~there is no amount included~~ in its calculations of allowed security costs under Special Condition Q (Allowance in respect of security costs) which represents other than an amount permitted under the charge restriction conditions to be so included;
 - (iii) no service has been treated as an excluded service which was not properly so treated and no amount included in the revenues in respect thereof represents other than bona fide consideration for the provision of the excluded service to which it relates;
 - (iv) all amounts which should properly be taken into account for the purposes of the charge restriction conditions have been taken into account; and
 - (v) [No longer used].
5. The specified items to be contained in the statement referred to in paragraph 3 shall be the following:
 - (a) the information referred to at paragraph 8 of Special Condition Q (Allowance in respect of security costs);

- (b) the statements and information referred to in paragraph A4 and B2 of Schedule C; and
- 6. Where the Authority issues directions in accordance with paragraph 9 of Special Condition Q (Allowance in respect of security costs) or paragraphs A5 and B3 of Schedule C then such directions shall not have effect from a date earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 3 prior to the issue of the directions related, unless such statement (or the accompanying report or certificate under paragraph 4) or any statement, report or certificate in respect of an earlier relevant year was incorrect or was misleading in any material respect.
- 7. Where the Authority issues such directions as are referred to in the preceding paragraph the Authority may require the licensee to provide a revised statement in respect of such of the specified items as may be affected by the directions, and the licensee shall comply with such request.

Special Condition Q: Allowance in respect of security costs

1. At any time during a security period, the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the charge restriction conditions as may be specified in the notice for the unexpired term of the security period.
2. At any time during a security period, the Authority may (having regard to its duties under the Act or under the Utilities Act 2000) by means of directions:
 - (a) suspend or modify for the unexpired term of the security period the charge restriction conditions or any part or parts thereof; or
 - (b) introduce for the unexpired term of the security period new charge restriction conditions
 - (c) in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate:
 - (i) to enable the licensee to recover by means of increased charges an amount estimated as being equal to the licensee's allowed security costs during such period; and
 - (ii) to ensure that such part of the amount referred to in sub-paragraph (i) above as is estimated as being equal to the allowed security costs incurred by the licensee as costs in its supply business is recovered by appropriate equitable increases in the charges made by the licensee in that business

and the licensee shall comply with the terms of any directions so issued.

3. At any time following a security period, the Authority may (following such consultation with the licensee and others as the Authority may consider appropriate) issue directions suspending or modifying the charge restriction conditions or any part or parts thereof or replacing such directions as may have been made during the security period and introducing such new charge restriction conditions as in the opinion of the Authority are appropriate in all the circumstances (including at the Authority's discretion an appropriate adjustment having regard to any profit gained or foregone by the licensee during the security period), and the licensee shall comply with any directions so issued.
4. At any time within three months after the issue of directions by the Authority under paragraph 3, the licensee may serve on the Authority a disapplication request in respect of such of the charge restriction conditions or any part or parts thereof as are specified in the request.
5. If within three months of the receipt by the Authority of the disapplication request referred to in paragraph 4, the Authority has either not agreed in writing to such disapplication request or has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions, the licensee may deliver one month's written

notice to the Authority terminating the application of the charge restriction conditions (or any part or parts thereof) as were specified in the disapplication request.

6. Subject to paragraphs 7 and 9, the licensee shall in any relevant year be entitled to recover an aggregate amount equal to its allowed security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases on the charges made by the licensee in its supply business.
7. Paragraph 6 shall not apply in so far as such allowed security costs:
 - (a) were otherwise recovered by the licensee; or
 - (b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 3 above.
8. The licensee shall following the end of each relevant year provide to the Authority, as being one of the specified items to be contained in the statement referred to at paragraph 4 of Special Condition P (Information to be provided to the Authority in connection with the charge restriction conditions), details in respect of that relevant year of:
 - (a) the amount of the licensee's allowed security costs; and
 - (b) the aggregate amounts charged under paragraph 6 on account of the licensee's allowed security costs; and
 - (c) the bases and calculations underlying the increases in charges made by the licensee in its supply business under paragraph 6.
9. Where the Authority is satisfied that the licensee has recovered amounts in excess of the allowed security costs, the Authority may issue directions requiring the licensee to take such steps as may be specified to reimburse customers of the supply business for the excess amounts charged to them, and the licensee shall comply with any directions so issued provided that if the excess amounts relate to allowed security costs paid to any authorised electricity operator, the licensee shall not be obliged to make any such reimbursement unless and until it has recovered such costs.
10. No amounts charged by the licensee under this Condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the supply charge restriction provisions of Special Condition O (Restraints on Supply Charges).
11. In this Condition:

"allowed security cost"

shall have the meaning ascribed to that term in the Fuel Security Code.

"security period"

means a period commencing on the date on which any direction issued by the Secretary of State

under Section 34(4)(b) 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 he shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine after having regard to the views of such persons.

Special Condition R: Duration of charge restriction conditions

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.
2. A disapplication request pursuant to this Condition shall (a) be in writing addressed to the Authority, (b) specify the charge restriction conditions (or any part or parts thereof) to which the request relates and (c) state the date from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect.
3. Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than that date which is the later of:
 - (a) a date being not less than 18 months after delivery of the disapplication request; and
 - (b) 31st March 2002.
4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such charge restriction conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to the Authority written notice terminating the application of such charge restriction conditions with effect from the disapplication date or later.
6. A disapplication request or notice served under this Condition may be served in respect of a specified geographic area.

SCHEDULE C. SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION CONDITIONS

Part A. Principles for Attribution

General Principles

- A1. Where for the purposes of the charge restriction conditions, a share of costs borne by the licensee requires to be attributed to any part of the market, the licensee shall make that attribution on a basis which ensures that no more than a fair proportion of those costs, reflecting the costs incurred by the licensee in supplying that part of the market, are so attributed.
- A2. The following paragraphs of this Part of Schedule C are without prejudice to paragraph A1.

Fossil Fuel Levy and payments in lieu thereof

- A3. The fossil fuel levy requiring to be attributed to supplies to domestic customers shall be attributed on the basis of the amount of the levy incorporated in the prices actually charged or to be charged by the licensee on supplies to such customers in the relevant year in respect of which the attribution falls to be made. Amounts in lieu of the fossil fuel levy in respect of purchases of electricity other than leviable electricity requiring to be calculated and then attributed to supplies to domestic customers in any relevant year for the purposes of Special Condition O (Restraints on Supply Charges) shall:
- (a) be calculated as being such amounts as correspond to the lesser of:
 - (i) the premium actually payable (measured on an accruals basis) by the licensee during the relevant year on purchases of electricity other than leviable electricity as representing the benefit to the licensee of being able to treat such electricity as being other than leviable electricity for the purposes of Section 33 of the Act and Regulations thereunder; and
 - (ii) the additional amount that would have been payable (measured on an accruals basis) by the licensee in respect of the fossil fuel levy pursuant to Regulations made under Section 33 of the Act had such electricity been leviable electricity; and
 - (b) be attributed to supplies to domestic customers pro rata to the amount which the quantity supplied to domestic customers bears to the total quantity supplied (in each case in the relevant year in respect of which the attribution falls to be made) or on the basis of the amount referred to in paragraph (a) incorporated in the prices actually charged or to be charged by the licensee on supplies to such customers in the relevant year in respect of which the attribution falls to be made or on such other basis of attribution as the licensee shall previously have agreed with the Authority.

Information to be provided by licensee

- A4. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 3 of Special Condition P (Information to be provided to the Authority in connection with charge restriction conditions), a statement confirming that the calculation of amounts in lieu of the fossil fuel levy and the attribution of the fossil fuel levy and amounts in lieu thereof was made in accordance with the provisions of this Part of Schedule C, accompanied (where appropriate) by:
- (a) a statement of the total amounts attributed to domestic customers; and
 - (b) copies of statements prepared under paragraph 1 of Special Condition P (Information to be provided to the Authority in connection with charge restriction conditions) and an explanation of the basis therefor.
- A5. Where the Authority is satisfied that the basis of calculation or attribution (as the case may be) used by the licensee is not in conformity with paragraph A1, the Authority may issue directions specifying an alternative basis of calculation or attribution, and the basis of calculation or attribution by the licensee (as the case may be) shall be adjusted accordingly with effect from the date of issue of the directions or (subject to paragraph 6 of Special Condition P (Information to be provided to the Authority in connection with charge restriction conditions)) such other date as may be specified in those directions.

Part B. Excluded services

- B1. Subject to paragraph B3, a service provided by the licensee as part of its supply business may be treated as an excluded service in so far as it consists of the provision of services for the specific benefit of customers requesting the same and not made available by the licensee as a normal part of such business. For the avoidance of doubt, the provision of facilities for prepayment may not be treated as an excluded service.

Information to be provided to the Authority

- B2. The licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to at paragraph 3 of Special Condition P (Information to be provided to the Authority in connection with charge restriction conditions), details specifying separately the nature of all services provided as part of its or supply business by the licensee and treated as excluded services by the licensee during the course of such year and stating the revenues derived by the licensee in respect of each such service so treated.

Directions

- B3. Where the Authority is satisfied that in light of the principles set out in paragraph B1 any service treated by the licensee as an excluded service should not be so treated, the Authority shall issue directions to that effect, and the service or services specified in the directions shall cease to be treated as excluded services from the date of issue of the directions or (subject to paragraph 6 of Special Condition P (Information to be provided to the Authority in connection with charge restriction conditions)) such other date as may be specified in the directions.

Special Condition S: Restriction on self-supply

1. The licensee shall not at any time after this Condition comes into effect:
 - (a) enter into any new electricity purchase contract or other equivalent agreement or arrangement (directly or indirectly) with an electricity generator which is an affiliate or related undertaking of the licensee for the benefit of that part of the licensee's business which comprises the supply of electricity to former designated customers within the South Wales supply services area specified in Schedule 3C;
 - (b) make or permit (without the prior consent of the Authority) any material variation of any electricity purchase contract or other equivalent agreement or arrangement entered into for the benefit of that part of the licensee's business referred to in paragraph 1(a) to which an affiliate or related undertaking of the licensee is a party.
2. For the purpose of this Condition,

"former designated customer" means a customer who would have fallen within the definition of "designated customer" (as defined in the Public Electricity Supply licence previously granted to South Wales Electricity plc in the form of that licence in force on 27 September 2001) and who is supplied by the licensee.
3. Subject to paragraph 4, the Authority may in writing direct that this Condition shall cease to have effect in this licence on:
 - (c) the date on which any of Special Conditions O to R is first modified by the Authority; or
 - (d) any date thereafter which is specified in a direction given by the Authority to the licensee for the purpose of this paragraph.
4. The Authority may not give a direction under paragraph 3 unless it has first:
 - (a) given not less than 28 days notice of its intention to give the direction in such a manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by it;
 - (b) sent a copy of such notice to the licensee, all other licensed suppliers, and the Consumer Council; and
 - (c) duly considered all objections or representations received by the Authority after the date of publication of the notice which are not withdrawn.

SCHEDULE 1
SPECIFIED AREA
Great Britain

SCHEDULE 2

REVOCATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(g)) in writing to the licensee:
 - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
 - (b) if any amount payable under standard condition 4 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails:
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with:
 - (i) an order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973; or
 - (ii) an order made by the court under section 34 of the Competition Act 1998.

- (e) if the licensee has not within 5 years after the date on which this licence comes into force, commenced the supply of electricity to any of the premises within the area specified in Schedule 1 to this licence;
 - (f) if the licensee has ceased to supply electricity to all of the premises within the area specified in Schedule 1 to this licence for a period of 5 years;
 - (g) if the licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this Schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
 - (h) if the licensee is convicted of having committed an offence under section 59 of the Act in making its application for the licence.
2. For the purposes of sub-paragraph 1(g)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£100,000" or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(g)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

SCHEDULE 3A

SOUTHERN SUPPLY SERVICES AREA

The supply services area shall comprise that area which is outlined on the attached map and shall additionally include those premises listed in List A (the "Additional Premises") but shall not include those premises listed in List B (the "Excluded Premises").

A: ADDITIONAL PREMISES

| Address | Grid Ref. |
|--|--------------|
| The Elms 9 and 9, "Anjil" 10 and 10, Fritz, Otto, Maria, Ann" 10, Kingsley British Rail E564001 (Twick. Bridge) Metro. Water Shaft and Kiosk Ducks Walk Twickenham Middx TW1 2DD | TQ 1721 7470 |
| Bungalow Cardinal Vaughan Playing Fields Whitton Dene Isleworth Middx TW7 7LT | TQ 1510 7450 |
| Workshop adj pavilion Cardinal Vaughan Playing Fields Whitton Dene Isleworth Middx TW7 7LT | TQ 1508 7450 |
| 4, 6, 8 & 10 Runneymede Road Twickenham Middx TW2 7HF | TQ 1386 7439 |
| 1 & 3 Grasmere Avenue Hounslow Middx TW3 2JG | TQ 1371 7439 |
| 461 Wellington Road South Hounslow Middx TW4 5HY | TQ 1313 7438 |
| 32, 34, 36 and 38 Wyndham Crescent Hounslow Middx TW4 5HZ | TQ 1308 7437 |

St. Richards Church
Forge Lane
Hanworth
Middx TW13 6YQ

TQ 1217 7114

Mimbridge Nurseries
Philpot Lane
Chobham
Surrey GU24 8AP

SU 9908 6062

Castle Grove Nursery
Scotts Grove Road
West End
Chobham
Surrey

SU 9664 6094

North Hill Nursery
Scotts Grove Road
Chobham
Surrey GU21 5JB

SU 9583 6083

New Bridge Pumping Station
Guildford Road
West End
Woking
Surrey GU24 9LY

SU 9498 6014

Lucas Green Nursery
Lucas Green Road
West End
Woking
Surrey GU24 9LY

SU 9470 6013

Ford House
Ford Road
Chobham
Surrey GU24 8SS

SU 9452 5997

Gingerburys
Church Street
Rudgwick
Horsham
W. Sussex RH12 3EH

TQ 0904 3458

Bury St. Austins Farm House, Buildings
and Office
Rudgwick
Horsham
W. Sussex RH12 3PW

TQ 1091 3524

Barnbridge House
Guildford Road
Clemonsford
Horsham
W. Sussex RH12 3PW

TQ 1350 3334

| | |
|--|--------------|
| 1 and 2 New Court Cottages Coneyhurst Billingshurst W. Sussex RH14 9DH | TQ 1055 2320 |
| Bury Gate House and Two Lodges Fittleworth Road Burygate Bury Pulborough W. Sussex RH20 1HA | TQ 0070 1607 |
| 1 & 2 Abbey Terrace North Circular Road London NW10 | TQ 1866 8303 |
| 25 & 26 Waverley Gardens North Circular Road London NW10 | TQ 1868 8298 |
| CAV Ltd Warple Way Hammersmith London W12 | TQ 2130 7975 |
| CAV Ltd Larden Road Hammersmith London W12 | TQ 2138 7975 |
| Mad Bess Woods and Cottage Breakspear Road North Harefield Middx UB9 6LZ | TQ 0761 8788 |
| The Fisheries Inn Park Lane Harefield Middx | TQ 0403 9116 |
| Rickmansworth Sailing Club Jacks Lane Harefield Middx | TQ 0408 9058 |
| Bradenham Hill Cottages - 2 off Bradenham Road Bradenham High Wycombe Bucks HP14 4EX | SU 8324 9685 |

| | |
|---|--------------|
| Grain Dryer Horsenden Hill High Street Tetsworth Oxon | SP 6923 0275 |
|---|--------------|

| | |
|---|--------------|
| Hill Farm Lobbersdown Hill High Street Tetsworth Oxon OX9 7BZ | SP 6742 0310 |
|---|--------------|

| | |
|--|--------------|
| Whitehouse Farm and House Bicester Road Kingswood Aylesbury Bucks HP18 0RF | SP 6540 1980 |
|--|--------------|

| | |
|---|--------------|
| Leaches Farm & Buildings Bicester Road Kingswood Aylesbury Bucks HP18 0RF | SP 6495 1982 |
|---|--------------|

| | |
|---|--------------|
| Hutton Grange, Farm 2 Cottages, Hillcourt and Dairy Unit Hutton Grange Farm Great Hollright Chipping Norton Oxon OX7 5RR | SP 3230 3220 |
|---|--------------|

B: EXCLUDED PREMISES

(b) PART OF THE SUPPLY SERVICES AREA OF SEEBOARD ENERGY LIMITED

| Address | Grid Ref. |
|---|--------------|
| 49 The Avenue Twickenham Middx TW1 1QU | TQ 1703 7470 |
| Willments Twickenham Industrial Estate Rugby Road Twickenham Middx TW1 1DQ | TQ 1564 7425 |
| Redcar Engineering Twickenham Industrial Estate Rugby Road Twickenham Middx TW1 1DQ | TQ 1559 7427 |

| | |
|---|--------------|
| Ashfield Lodge Farm Bailes Lane Normandy Surrey GU3 2BA | SU 9405 5107 |
| Unstead Park Cottage Unstead Godalming Surrey GU7 1UW | SU 9877 4437 |
| Handon Cottage Markwick Lane Lox Hill Godalming Surrey GU8 4BD | SU 9929 3843 |
| Strood Park Farm House Strood Lane Horsham West Sussex RH12 3PF | TQ 1421 3311 |
| Home Farm Strood Lane Horsham West Sussex RH12 3PF | TQ 1425 3313 |
| Rowland Wood Strood Lane Broadbridge Heath Horsham West Sussex RH12 3PF | TQ 1449 3304 |
| Drummonds Farm West Chiltington Lane Coneyhurst Billingshurst West Sussex RH14 9DY | TQ 0990 2275 |
| High Barns Farm West Chiltington Lane Coneyhurst Billingshurst West Sussex RH14 9DY | TQ 1000 2337 |
| Fowlers West Chiltington Lane Coneyhurst Billingshurst West Sussex RH14 9DY | TQ 1000 2340 |

Drummonds Farm Bungalow
West Chiltington Lane
Coneyhurst
Billingshurst
West Sussex RH14 9DY

TQ 0988 2270

Adversane Caravan Site
Adversane
Billingshurst
West Sussex RH14 9JW

TQ 0710 1607

Angmering Pumping Station
Poling
Worthing
West Sussex BN18 9PX

TQ 0582 0694

Dover Cottage
Poling
Worthing
West Sussex BN18 9PX

TQ 0586 0667

Dover House
Poling
Worthing
West Sussex BN18 9PX

TQ 0582 0653

Langmeads Pumping Station No. 1
Manor Farm
Poling
Worthing
West Sussex BN18 9PT

TQ 0507 0461

Langmeads Pumping Station No. 2
Manor Farm
Poling
Worthing
West Sussex BN18 9PT

TQ 0481 0422

**(c) PART OF THE SUPPLY SERVICES AREA OF LONDON ENERGY COMPANY
PLC**

Address

Grid Ref.

Cedar House
Chiswick Mall
Chiswick
London W4

TQ 2195 7812

(d) PART OF THE SUPPLY SERVICES AREA OF TXU UK LTD

| Address | Grid Ref. |
|--|--------------|
| 179 & 181 Park Road London NW10 | TQ 1860 8307 |
| Burial Ground Clifford Road Wembley Middx | TQ 1748 8407 |
| Crows Nest Farm & Bungalow Breakspear Road South Ruislip Middx | TQ 0761 8788 |
| Holland & Holland Shooting Ground Ducks Hill Road Northwood Middx | TQ 0726 0906 |
| Depot Springwell Lane Daryton Ford, Mill End Rickmansworth | TQ 0405 9345 |
| 206 White Lion Road Little Chalfont Bucks HP7 9NU | SU 9928 9749 |
| Hartland Stag Lane Great Kingshill Bucks | SU 8801 9807 |

(e) PART OF THE SUPPLY SERVICES AREA OF POWERGEN RETAIL LIMITED

| Address | Grid Ref. |
|--|--------------|
| The Squirrels Little Tingewick Finnere Oxon MK18 4AG | SP 6405 3278 |

(f) PART OF THE SUPPLY SERVICES AREA OF ENIZADE LIMITED

| Address | Grid Ref. |
|---------|-----------|
|---------|-----------|

Two Houses
Site 3
RAF North Colerne
Fosse Way
Colerne
Chippenham
Wilts SN14 8QR

ST 8009 7262

Two Mills Lodge
Stroud Road
Cirencester
Glos GL7 6JT

SO 9880 0183

Halls Grove House
Combend
Elkstone
Cheltenham
Glos GL53 9PU

SO 9851 1181

Pinswell Cottage
Westbury Farm
Colesbourne
Cheltenham
Glos GL53 9NP

SO 9844 1533

White Quarry Cottages
Kingham Hill
Kingham
Oxon OX7 6TE

SP 2610 2640

(f) PART OF THE SUPPLY SERVICES AREA OF SWEB LIMITED

Address

Grid Ref.

Pond Farm
Faulkland
Bath
Avon BA3 5UP

ST 7290 5459

SCHEDULE 3B

SCOTTISH HYDRO SUPPLY SERVICES AREA

The area specified in SI 1990 No.506 (S.64) The Electricity Act 1989 (North of Scotland Specified Area) Order 1990 made under Section 3(2) of the Act.

SCHEDULE 3C

SOUTH WALES SUPPLY SERVICES AREA

The supply services area shall compromise that area which is outlined on the attached map and shall additionally include those premises listed in List A (the "Additional Premises") but shall not include those premises listed in List B (the "Excluded Premises").

A. ADDITIONAL PREMISES

None

B. EXCLUDED PREMISES

None