

## CONSULTATION ON LICENCE AMENDMENTS TO FACILITATE THE INTRODUCTION OF AN ELECTRICITY SYSTEM RESTORATION STANDARD

## ESO LICENCE AMENDMENTS – SPT COMMENTS

Condition number and title	Comments
SpC 2.2 – Electricity System Restoration Standard	<p><b>General:</b> As commented on in our response to the ESRS Consultation questions, SpC 2.2 should also incorporate an obligation on the ESO to work closely with TOs, DNOs and restoration service providers on what is required to be connected onto the GB system, in order for the ESRS to be met. The drafting of SpC 2.2. does not cater for this sufficiently and the provision in SpC 2.2.4 to consult on industry codes and the assurance framework does not go far enough.</p> <p>Throughout the drafting the term “<b>Relevant Year</b>” has been used. “Relevant Year” is not defined in the Special Licence Conditions and its use within the Standard Licence Conditions is very specific and not relevant to SpC 2.2. The appropriate term ought to be “Regulatory Year” unless there is a specific reason to depart from that term. However, if there is a specific reason to depart from that term, that reason needs to be clarified by Ofgem and the term either defined in the Special Licence Conditions (SpC 1.1) or the definition of “regulatory year” amended in the Standard Licence Conditions.</p> <p>Also, throughout the drafting the term “<b>Electricity System</b>” has been used. However, “Electricity System” is not defined in either the Special Licence Conditions or the Standard Licence Conditions. An appropriate definition will need to be included in the licence.</p> <p><b>2.2.1</b> – to be consistent with the RIIO-2 Licence Drafting Principles and the other Special Licence Conditions, this paragraph should clearly state the purpose of the condition, i.e. “<i>the purpose of this conditions is to...</i>”.</p> <p><b>2.2.2</b> – it is not necessary to refer to the Electricity Act in this paragraph. In particular, we would note that references to sections 7(3)(a) and 107 deal with directions from GEMA or the Secretary of State but not the Electricity System Restoration Standard. The words “<i>In accordance with sections 7(3)(a) and 107 of the Electricity Act 1989</i>” should be deleted.</p>

Condition number and title	Comments
	<p><b>2.2.2 and definition of “Electricity System Restoration Standard”</b> – it is important that the definition of “Electricity System Restoration Standard” reflects the fact that it will be directed by the SoS and can be modified by the SoS. The definition of “Electricity System Restoration Standard” (as set out in Part E, see comments on Part E below) simply refers to the <i>“target Restoration Time”</i> that the ESO must have the capability to meet. However, we had understood this target to be broader than simply the “Restoration Time” and should also capture the interim target of 60% of regional demand within 24 hours. We would therefore suggest that the better approach would be to define “Electricity System Restoration Standard” by reference to paragraph 2.2.3 of SpC 2.2 (subject to the comments on 2.2.3 below).</p> <p>This approach also would have the effect of allowing removal of the words <i>“, as directed by the Secretary of State,”</i> from 2.2.2.</p> <p>We would also suggest the words <i>“including through its procurement of balancing services pursuant to paragraph 3 of Standard Condition C16 (“Procurement and use of balancing services”)</i> should be deleted, given our comments on SLC C16 below and the fact that this wording is unnecessary, given the overarching obligation is to comply with the Electricity System Restoration Standard and the obligation to procure the restoration services will already be accounted for in the standard licence conditions.</p> <p><b>2.2.3</b> – Delete the words <i>“As a consequence of this Special Condition 2.2 coming into effect...”</i> since there is no mechanism in the drafting for when the condition will come into effect. It will come into effect, 56 days following Ofgem’s decision on the statutory consultation on this licence condition. Unless the drafting expressly provides for the effective date to be a later date or Ofgem notifies in the direction that the effective date will be more than 56 days after its decision. Furthermore, the licence conditions taking effect are not the cause of the direction from the SoS on the Electricity System Restoration Standard.</p> <p><b>2.2.4</b> – the obligations in this paragraph flow from the SoS’s initial direction under 2.2.3(a), rather than any subsequent direction under 2.2.3(b). This should be clarified in the drafting. Ofgem should also add a provision which requires the restoration services/ Grid Code/ industry codes to be modified where there is a subsequent direction under 2.2.3(b).</p> <p>The words <i>“and this Special Condition 2.2 coming into effect”</i> should also be deleted, for the same reasons set out in relation to 2.2.3 above.</p>

Condition number and title	Comments
	<p><b>2.2.5</b> – for similar reasons to 2.2.4 around the initial direction, the words “<i>pursuant to Paragraph 2.2.3(a)</i>” should be added after the reference to the “Electricity System Restoration Standard” on line 2.</p> <p>The “Electricity System Restoration Assurance Framework” is a defined term in Part E (see comments on Part E below). The words “<i>an assurance framework</i>” should therefore be deleted from the 4<sup>th</sup> line and the inverted commas around “Electricity System Restoration Assurance Framework” should be removed, so as to avoid defining the term again.</p> <p>The words “<i>to the Authority</i>” should be inserted on the final line after “Electricity System Restoration Assurance Framework” to make it clear that the submission of the Electricity System Restoration Assurance Framework is to the Authority, rather than any other party (e.g. the Secretary of State).</p> <p><b>2.2.6</b> – insert “<i>of the Electricity System Restoration Assurance Framework to the Authority</i>” after “submission” on the first line, in order to tie in the obligations under this paragraph clearly to the submission of the assurance framework to the Authority under Paragraph 2.2.5.</p> <p>A consistency check is needed with Paragraph 2.2.14(b) which uses similar language, but refers to consultation with stakeholders, rather than “relevant interested parties”.</p> <p><b>2.2.7(a)</b> this refers to “an appropriate Restoration Approach” – what is considered to be “an appropriate Restoration Approach” and by whom? The drafting of this, together with the definition of “Restoration Approach” is vague. If any minimum requirements need to be set out in order to be considered “appropriate”, these should be set out clearly in the drafting. SPT has already provided details to BEIS and the ESO, as part of the Black Start Task Group as to the network facilities and manpower required to put us in a position to meet our requirements under the restoration standard.</p> <p>On the penultimate line, it refers to identification of new technologies and approaches. We would suggest that these technologies and approaches do not have to be “new” so as to ensure the Electricity System Restoration Standard is met.</p> <p><b>2.2.7(c)</b> – given that “relevant interested parties” (or indeed stakeholders) are to be invited to comment on the Electricity System Restoration Assurance Framework each year, before the ESO submits it to the Authority (2.2.6), the details used by</p>

Condition number and title	Comments
	<p>the ESO to reflect the capabilities of the NETS should be sufficient for all such relevant interested parties/ stakeholders to assess and comment on, rather than simply “<i>other electricity licensees</i>”?</p> <p><b>2.2.8</b> – is it intended that the independent auditor’s report will accompany the submission to the Authority, but not shared as part of the consultation with relevant interested parties/ stakeholders? If that is the case, the drafting should be clarified to that effect.</p> <p><b>2.2.8 and definition of “Electricity System Restoration Model”</b> - Noted paragraph 2.2.8 is the first reference in the licence condition to the Electricity System Restoration Model. If the Electricity System Restoration Model is to be a central tool to demonstrate compliance with an Electricity System Restoration Standard, this Electricity System Restoration Model should form a more central role to the assurance framework and the licence condition, beyond it simply being audited on an annual basis. We would therefore propose that an obligation on the ESO is included here to ensure regular engagement with TO’s, DNO’s and restoration service providers, with regards to the continued validity of the Restoration Model and its input parameters.</p> <p><b>2.2.10</b> – if the Authority is to reject the Electricity System Restoration Assurance Framework, the Authority <i>must</i> direct the licensee to submit a revised assurance framework.</p> <p><b>Part C</b> – note that approval and direction is used interchangeably in the drafting here – however, as is clear from the RIIIO-2 Licence Drafting Principles, approvals is used separately to directions. The drafting should be clarified here.</p> <p><b>2.2.14 introductory paragraph and (d)</b> – this provides the Authority with a right to dispense with the consultation process on any amendments to the Electricity System Restoration Assurance Framework proposed by the ESO. The references to the Authority being able to direct otherwise/ direct elements do not apply should be deleted.</p> <p><b>2.2.16</b> – cross reference to paragraph 14(c) should be to 2.2.14(c).</p> <p><b>2.2.17</b> – the words “<i>in accordance with the Authority’s direction</i>” should be inserted at the end.</p>

Condition number and title	Comments
	<p><b>Part E generally</b> – as detailed in paragraph 9.2 of the RIIO-2 Licence Drafting Principles, all definitions should be set out at the start of the Special Conditions and not embedded within a particular licence condition. Therefore, all terms set out in Part E should instead be a modification to SpC 1.1 of the ESO’s licence.</p> <p><b>Definition of “Electricity System Restoration”</b> – should be amended to refer to <i>“the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code)”</i></p>
<b>SLC C1 (Interpretation of Section C)</b>	<p>The comments that follow are subject to the overarching comment on the procurement of restoration services above.</p> <p><b>Definition of “restoration services”</b> – reference to “electricity system operator” should be replaced with “licensee”.</p>
<b>SLC C16 (Procurement and use of balancing services)</b>	<p>The comments that follow are subject to the overarching comment on the procurement of restoration services above.</p> <p><b>Definition of “balancing costs”</b> – term no longer used – delete.</p>