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25th August 2021

Response to Access and Forward-Looking Charges SCR consultation

Dear Patrick

I am writing to provide National Grid Electricity Transmission Plc's response to the above consultation. Taken as a package, the changes proposed address several distortions that affect customers' decision to connect to the transmission or distribution systems; and have the potential to better support whole system investment decisions.

However, there are three areas we would like to draw your attention to:

National Grid performs a number of key roles that are essential in meeting the UK's energy needs, running the systems which keep Britain's energy moving, to power and heat our homes, and the way we all get around.

This letter represents the views of National Grid Electricity Transmission plc (NGET) which owns the high voltage transmission system in England and Wales.

- **Some distortions remain where the entire cost of investments that benefit existing and futures users are borne by a single 'triggering' user**

The proposed changes do not address two instances where individual customers trigger investment that benefit other users but pay charges to recover the entire cost. The first – covered by the consultation – is where an individual customer seeks connection to the distribution network and faces the full cost of any associated transmission upgrades passed through to it via the DNO. The second – not covered by the consultation – is where an individual customer seeks connection to the transmission network but faces the full cost of any distribution reinforcements (unlike if the same works had been triggered by a distribution customer).

In both cases, the network reinforcements benefit existing and future customers. While cost reflective, such arrangements may not be equitable.

- **Clarity is required on what access rights will accompany TNUoS charging**

We support the minded to position of moving to a position where all generation pays wider generation TNUoS charges, where practical i.e. above 1MW. However, the consultation doesn't cover the consequential access rights users would get in return

for paying charges. We believe this needs to be clarified as part of Ofgem's final decision on this matter. It should be noted that if such rights included compensation when transmission access is not available, in due course this could necessitate network investments to avoid congestion costs, where this is economic.

- **Interaction with the RIIO-ED2 price control**

The proposed reforms are only one element of ensuring a level playing field across distribution and transmission sectors.

RIIO-ED2 price control mechanisms and incentives will also influence DNO's commercial position. This means care is required to ensure that the commercial framework set-out in the industry codes is not undermined by provisions or omissions in RIIO-ED2 framework. In particular, we believe price controls need to provide appropriate allowances for Exit Charges and distribution reinforcement so that users, connecting to either distribution and transmission, are not unnecessarily charged the full costs of investments they might trigger as the first-comer.

Our responses to the consultation questions are attached with this letter.

If you would like any further information on the matters we have raised in this letter, please do not hesitate to contact me on 07825 403639 or Matthew Paige-Stimson on 07717 131879.

Yours sincerely

[by email]

Adam Brown