

National Grid Electricity System
Operator Limited and other
interested stakeholders

Direct Dial: 0141 331 6393
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Date: 28 January 2022

Dear Stakeholders,

Statutory consultation on a proposal to modify the special conditions of the electricity transmission licence held by National Grid Electricity System Operator Limited

We¹ are consulting on a proposal to modify Special Condition 1.1 (Interpretation and definitions) ('SpC 1.1') and Special Condition 4.2 (Balancing Services Activity Revenue Restriction on External Costs) ('SpC 4.2') of the electricity transmission licence held by National Grid Electricity System Operator Limited (NGESO or ESO).

As described further below, we propose to add a definition of an additional cost term in SpC 1.1 *Part B: Definitions*, and amend SpC 4.2 *Part A: Balancing services activity revenue restriction on external costs (BXext_t)* to include this additional cost term and *Part B: Balancing Services Activity adjustments (TotAdj_t)* to enable the true up of the interest charged associated with the additional cost term added in Part A.

A Notice under section 11A(2) of the Electricity Act 1989 (the Act), including the proposed modifications to SpC 1.1 and SpC 4.2, has been issued and is published alongside this letter.

Background

Balancing Services Use of System ('BSUoS') charges and CMP381²

BSUoS charges are the means by which NGESO recovers the costs of balancing the electricity transmission system. BSUoS charges are recovered from demand customers and Large Generators³ based on the amount of energy imported from or exported onto the transmission network (in £/MWh) within each half-hour period.

The unprecedented and unexpected rise in gas and electricity prices over recent months⁴ has contributed to significantly higher costs associated with balancing the electricity

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

² CMP stands for Connection and Use of System Code (CUSC) Modification Proposal.

³ Large Generators are those generators that are directly connected to the transmission network and generators that are connected to the distribution network with capacities greater than 100MW. Interconnectors and distribution connected generation smaller than 100MW do not face BSUoS charges.

⁴ [Rising wholesale energy prices and implications for the regulatory framework | Ofgem](#)

transmission system. As a result of the market conditions, BSUoS charges have considerably exceeded NGESO's forecasts so far this winter.

On 14 January, we published our decision⁵ on CMP381⁶ to implement a £20/MWh cap on BSUoS costs in each Settlement Period from 17 January until 31 March 2022 and defer costs above the cap (with a limit of £200m for the cumulative amount of deferred costs) to the following charging year (2022/23). In the decision, we recognised that a licence change may be required to facilitate the recovery of the deferred costs and stated that we would seek to progress any associated licence modification imminently.

Proposed changes to SpC 1.1 and SpC 4.2

In order to allow NGESO to recover the deferred cost in the following charging year, we need to modify SpC 1.1 and SpC 4.2 of NGESO's electricity transmission licence as follows:

- Amending SpC 1.1 '*Part B: Definitions*' to add the definition for Exceptional Cost Support Scheme⁷;
- Amending SpC 4.2 '*Part A: Balancing services activity revenue restriction on external costs ($BX_{ext,t}$)*' to introduce an additional cost term $BSUoSEX_{C,t}$, which represents the total cost of the Exceptional Cost Support Scheme incurred in charging year 2021/22; and
- Amending SpC 4.2 '*Part B: Balancing Services Activity adjustments ($TotAdj_t$)*' to enable the true up of the interest charged associated with the additional cost term $BSUoSEX_{C,t}$ introduced in Part A.

How to respond to this consultation

We are seeking your views on our proposed changes to SpC 4.2 of NGESO's electricity transmission licence. Please send any comments to ElectricityNetworkCharging@ofgem.gov.uk by **25 February** 2022. Unless stated as confidential, consultation responses will be published alongside our decision.

Yours Sincerely

Charlotte Ramsay & Richard Smith
Directors of Energy Systems Management & Security
Duly authorised on behalf of the Authority

⁵ [Decision on CMP381 | Ofgem](#)

⁶ EDF raised CMP381 on 16 December 2021.

⁷ As defined in the CUSC section 14, which can be found in Annex 9 of the CMP381 Final Modification Report, available here [CMP381: Defer exceptionally high Winter 2021/22 BSUoS costs to 2022/2023 | National Grid ESO](#)

Appendix 1 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We will not share your personal data with other organisations. We will publish non-confidential consultation responses, redacting any personal data that may be contained within them.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".