

The Company Secretary
National Grid Electricity System Operator Limited
1-3 Strand
London
WC2N 5EH

CC: Dr. Paul Wakeley,
Strategic Network Development Manager
National Grid Electricity System Operator Limited

Email: Jourdan.Edwards@ofgem.gov.uk

Date: 28 November 2022

Dear Company Secretary,

Decision and Directions allowing National Grid Electricity System Operator Limited, to publish its Electricity Ten Year Statement (ETYS) by 31 January 2023, and an updated Network Options Assessment (NOA) report by 31 December 2023.

Background

Standard Licence Condition (SLC) C11(1) of the Licence requires the Electricity System Operator's (ESO) to, by 30 November in each financial year (or such later date as the Authority may direct), to prepare and publish the ETYS.

"SLC C27(12) of the ESO's Electricity Transmission Licence (the Licence) requires the ESO to review the NOA report prepared and published in the previous financial year, and update and publish the NOA report by 31 January or such other date as directed by the Authority.

The ESO includes a 'NOA for Interconnectors' report as part of the NOA report, the methodology for which is incorporated within the NOA Methodology.

ESO's Request to the Authority

The ESO has written to the Authority¹ to seek a direction pursuant to SLC C11(1) of the Licence, for publication of the ETYS by an alternative date, which it has requested to be by 31 January 2023.

The ESO has also written to the Authority² to seek a direction pursuant to SLC C27(12)(b) of the Licence, for publication of the NOA report by an alternative date, which it has requested to be by 31 December 2023.

ESO's rationale for the delay request

Under the Offshore Transmission Network Review, led by the Department of Business, Energy & Industrial Strategy (BEIS), in July 2022, the ESO published "The Pathway to 2030

¹ Published together with this letter on our website.

² Published together with this letter on our website.

Holistic Network Design” (HND). This sets out a single, integrated design that supports the large-scale delivery of electricity generated from offshore wind, taking power to where it's needed across Great Britain. The HND facilitates the connection of 23GW of offshore wind, helping to deliver the Government’s ambition for 50GW connected offshore wind generation by 2030. As part of this package of publication was the NOA 2021/22 Refresh, published in July 2022, as an update to the NOA report published in January 2022. This revision updates NOA reinforcement recommendations due to the additional generation from the HND.

Following the publication of the HND and the NOA Refresh, the ESO is undertaking an HND follow-up exercise known as “HND FUE”, to consider additional offshore wind connections from the Celtic Sea and ScotWind offshore leasing rounds. This is expected to be published in March 2023.

The above publications utilise the same resources within the ESO and the Transmission Owners (TOs) to undertake the detailed network assessment required to produce the annual ETYS and NOA reports. As a result of prioritising the above publications, the ESO is not able to meet the timescales set out for the publication of the ETYS and NOA by 30 November 2022 and 31st January 2023 respectively.

Furthermore, there is also an opportunity to align the output of the next NOA with the output of the HND FUE exercise, as the latter could impact on the reinforcement recommendations.

In the additional time, the ESO also intends to include some improvements to the NOA process, such as including large new demand and storage options alongside network reinforcement options.

Rationale for our decision

We recognise that the development of the HND by the ESO and TOs has been a priority and has occurred at pace.

We also recognise that the publication of the NOA Refresh in July 2022 gave a helpful update to the January 2022 NOA 7 report, by identifying the supporting onshore investments needed to allow the safe connection of the HND.

From further engagement with the ESO since receiving its request, we acknowledge that the teams within the ESO and TOs that work on developing the ETYS and NOA report are currently also working to develop the HND FUE, which is due to be published in March 2023. Following the publication of this report, there will be a need to update power system models with information from the HND FUE, undertake further assessments of system needs, and then develop and consider reinforcement options to include in the NOA. This approach will ensure that the impact of the additional generation from the HND FUE will be included in the NOA assessment, to result in reinforcement recommendations that cater for the additional generation.

Due to the government’s decarbonisation and energy security targets³, it’s vital that work on the OTNR HND and HND FUE is prioritised to enable the connection of 50GW of offshore wind generation by 2030.

ETYS

We are satisfied that the delay of 2 months in producing the ETYS report by the requested 31 January 2023 does not have any significant negative impacts on users of the report, stakeholders, and consumers.

³ [British energy security strategy](#)

NOA

We are satisfied that a NOA report by 31 December 2023 that incorporates the impact of the HNDFUE, will give more clarity to users of the report than a report in January 2023 which doesn't include this impact.

On balance, we are satisfied that any negative impact of the delay on stakeholders and consumers is outweighed by the benefit of prioritising the HNDFUE and incorporating it in the next NOA.

The Authority's decision

ETYS

Under SLC C11(1), we direct the ESO to publish the ETYS in a form approved by the Authority pursuant to paragraph 8, by 31 January 2023, instead of by 30 November 2022. See Annex 1 to this letter for our Direction.

NOA

Under SLC C27(12)(b), we direct the ESO to publish an updated NOA report by 31 December 2023, instead of by 31 January 2023. This must be based on and include the latest NOA Methodology approved by the Authority pursuant to SLC C27(7). See Annex 2 to this letter for our Direction.

This updated report shall also include the 'NOA for Interconnectors' report, which must be based on the latest NOA Methodology approved by the Authority pursuant to SLC C27(7).

If you have any questions in relation to this letter please contact Konark Anand (Konark.Anand@ofgem.gov.uk), Anna Kulhavy (Anna.Kulhavy@ofgem.gov.uk) or Richard Harrap (Richard.Harrap@ofgem.gov.uk).

Yours sincerely,

Jourdan Edwards

**Interim Deputy Director, Onshore Networks
For and on behalf of the Gas and Electricity Markets Authority**

Annex 1

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO CONDITION C11(1) OF NATIONAL GRID ELECTRICITY SYSTEM OPERATOR LIMITED'S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE PRODUCTION OF INFORMATION ABOUT THE NATIONAL ELECTRICITY TRANSMISSION SYSTEM.

Whereas:

1. National Grid Electricity System Operator Limited ("NGESO") is the holder of an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").
2. Standard Licence Condition ("SLC") C11(1) allows the Authority to direct NGESO to publish the Electricity Ten Year Statement ("ETYS") on a date other than 31 January in each financial year.
3. For the reasons set out in the letter to which this Direction is attached, the Authority has decided to direct the ESO to publish the ETYS by 31 January 2023, instead of by 30 November 2022.

Therefore:

In accordance with sub-paragraph 1 of SLC C11, the Authority hereby directs NGESO to publish the ETYS by 31 January 2023, instead of by 30 November 2022.

This Direction and the letter to which it is attached constitutes notice of the reasons for the decision pursuant to section 49A of the Act.

Jourdan Edwards

Interim Deputy Director, Onshore Networks

For and on behalf of the Gas and Electricity Markets Authority

28 November 2022

Annex 2

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT CONDITION C27(12)(b) OF NATIONAL GRID ELECTRICITY SYSTEM OPERATOR LIMITED'S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE NETWORK OPTIONS ASSESSMENT PROCESS AND REPORTING REQUIREMENTS.

Whereas:

1. National Grid Electricity System Operator Limited ("NGESO") is the holder of an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").

2. Standard Licence Condition ("SLC") C27(12) states:

"Following publication of the initial NOA report the licensee must:

(a) review at least once in each financial year the NOA report prepared and published in the previous financial year and consider any improvements to better facilitate the development of an efficient, co-ordinated and economical system of electricity transmission; and

(b) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 7."

3. SLC C27(12)(b) allows the Authority to direct NGESO to publish an updated NOA report on a date other than 31 January.

4. For the reasons set out in the letter to which this Direction is attached, the Authority has decided to direct the ESO to publish an updated NOA report by 31 December 2023, instead of by 31 January 2023.

Therefore:

In accordance with SLC C27(12)(b), the Authority hereby directs NGESO to publish an updated NOA report by 31 December 2023, instead of by 31 January 2023. This must be based on and include the latest NOA methodology approved by the Authority pursuant to SLC C27(7). This updated report shall also include the "NOA for Interconnectors" report, which must be based on the latest NOA methodology approved by the Authority pursuant to SLC C27(7).

This Direction and the letter to which it is attached constitutes notice of the reasons for the decision pursuant to section 49A of the Act.

Jourdan Edwards

Interim Deputy Director, Onshore Networks

For and on behalf of the Gas and Electricity Markets Authority

28 November 2022