

National Grid Electricity System Operator Limited
and other interested stakeholders

Email:
[ElectricityNetworkCharging@
ofgem.gov.uk](mailto:ElectricityNetworkCharging@ofgem.gov.uk)

Date: 15 December 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 4.2 (Balancing Services Activity Revenue Restriction on External Costs) of the electricity transmission licence held by National Grid Electricity System Operator Limited (ESO).

A Notice under section 11A(2) of the Electricity Act 1989 (the Act), including Schedule 1 which details the proposed changes, has been issued and is published alongside this letter.

Background

Balancing Services Use of System (BSUoS) charges are the means by which ESO recovers the costs of balancing the electricity transmission system.

On 5 October 2022 we approved CMP395², which caps the BSUoS costs at a maximum of £40/MWh in the Settlement Periods from 1 October 2022 to 31 March 2023 and allows the ESO to recoup the money in charging year 2023/24. The liability to be carried by the ESO is capped at £250m.

We have set out the changes to the Special Condition in Schedule 1.

Next steps

We are seeking your views on our proposed changes to Special Condition 4.2 of ESO's electricity transmission licence. Please send any comments to ElectricityNetworkCharging@ofgem.gov.uk by 19 January 2023. Unless stated as confidential, consultation responses may be published alongside our decision.

Yours faithfully,



Charlotte Friel

**Deputy Director,
Energy Systems Management and Security**
Duly authorised on behalf of the Authority
15 December 2022

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)

² <https://www.ofgem.gov.uk/publications/cmp395-decision>

Annex 1 – Statutory Consultation Notice

To: National Grid Electricity System Operator Limited

**Electricity Act 1989
Section 11A(2)**

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

1. The Gas and Electricity Markets Authority ('the Authority') proposes to modify the special conditions of the electricity transmission licence held by National Grid Electricity System Operator Limited (ESO) granted or treated as granted under 6(1)(b) of the Electricity Act 1989 as shown in Schedule 1 by amending Special Condition 4.2 (Balancing Services Activity Revenue Restriction on External Costs) ('SpC 4.2'), specifically, Part A 4.2.2.
2. The effect of the proposed modifications is to allow the ESO to recover the deferred costs in 2023/24.

Schedule 1 to this Notice show the proposed modifications. The text of the proposed modifications are set out below, with the text to be deleted marked with ~~striketrough~~ and new text to be inserted shown double underlined.

3. The reason for these licence modifications is to accommodate the changes we approved for CMP395, which caps the BSUoS costs at a maximum of £40/MWh in the Settlement Periods from 1 October 2022 to 31 March 2023 and allows the ESO to recoup the money in charging year 2023/24.
4. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
5. Any representations with respect to the proposed licence modifications must be made on or before 19 January 2023 to: Tom Kenyon-Brown, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London E14 4PU or by email to ElectricityNetworkCharging@ofgem.gov.uk.
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

Charlotte Friel

**Deputy Director,
Energy Systems Management and Security**
Duly authorised on behalf of the Authority