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

Dear Tom,

Thank you for the opportunity to respond to Ofgem's Statutory consultation on a proposal to modify the special conditions of the electricity transmission licence held by National Grid Electricity System Operator Limited dated 15 December 2022.

CMP395 defers the recovery of costs incurred in 2022/23 until 2023/24 for Settlement Periods where the BSUoS charge would otherwise be in excess of £40/MWh. As a result, licence changes are required to ensure that the revenue restriction for 2023/24 includes the ability to recover amounts that are consequently deferred, along with the cost to the ESO of supplying financing to manage the deferral

We agree with the drafting as supplied alongside the consultation letter. However, as discussed, we also believe that a new clause is needed as part of paragraph 4.2.3 to mirror the existing clause (d) in relation to the new deferral. The new clause would therefore be:

- (e) the difference in value of financing costs, as a result of updating the forecast SONIA rate used to calculate the recovery of 2023/24 BSUoSFXC_t to actual SONIA rates as agreed by the Authority for Regulatory Year 2024/25 only

We welcome the opportunity to discuss any of the points raised within this response. Should you require further information or clarity please contact Craig Bell in the first instance at craig.bell@nationalgrideso.com. Our response is not confidential.

Yours sincerely

Jane West

Senior Finance Business Partner
National Grid Electricity System Operator