



Making a positive difference
for energy consumers

National Grid Electricity System Operator Limited
and other interested stakeholders

Email:
joe.slater@ofgem.gov.uk
Date: 14 March 2023

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

Dear Stakeholders,

We¹ are consulting on a proposal to modify Special Condition 1.1, Special Condition 3.3 and Special Condition 3.4 of the electricity transmission licence held by National Grid Electricity System Operator Limited (NGESO). We are also proposing minor housekeeping amendments in Chapter 1, Chapter 2, Chapter 3, Chapter 4 and Chapter 5.

A Notice of Statutory Consultation 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

The Strategic Innovation Fund (SIF) has been running for RIIO-2 since 2021. This will become operational for the electricity distribution (ED) sector for the start of RIIO-ED2 on 1 April 2023. There are also Network Innovation Fund (NIC) projects which were awarded funding during RIIO-ED1 running in the ED sector during RIIO-ED2.

To implement the SIF and legacy NIC arrangements in the ED sector, NGESO's licence will require the addition of references to the ED sector – in Special Conditions 1.1, 3.3 and 3.4. The licence provides for SIF and NIC funding to be collected through transmission network charges and transferred to funded parties and, if applicable, back to NGESO. Currently, the licence only refers to the transfer of funds to and from transmission licensees and the party administering the SIF. We propose to add references to electricity distributors.

We have set out the changes to the Special Conditions in Schedule 1 to this consultation and in Schedule 1 to the Notice of Statutory Consultation.

Next steps

We are seeking your views on our proposed changes to NGESO's electricity transmission licence. Please send any comments to joe.slater@ofgem.gov.uk by 11 April 2023. Unless described as confidential, consultation responses may be published alongside our decision.

Yours faithfully,

Steven McMahon

**Deputy Director, Network Price Controls,
Networks**
Duly authorised on behalf of the Authority

14 March 2023

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)