

To:

National Grid Electricity System Operator Limited

Email: ESOPerformance@ofgem.gov.uk

Date: 11 August 2023

Dear Company Secretary,

Decision on the proposal to modify the special conditions of the electricity transmission licence held by National Electricity System Operator Limited (NGESO)

This decision letter is a response to a statutory consultation concerning changes to NGESO's licence conditions, the Price Control Financial Instruments (PCFIs), both the ESO Price Control Financial Model (PCFM) and the ESO Price Control Financial Handbook (PCFH).

We¹ received one response to the consultation, which is published on our website. On considering the feedback received via this response, we have decided to modify the licence conditions and the PCFIs in the manner set out in the consultation, however with minor amendments made to the text, as explained in this letter.

A licence modification notice under section 11A(1)(a) of the Electricity Act 1989 (the Act) has been issued and is published alongside this letter. These licence changes will take effect from 7 October 2023.

This letter summarises the background to our decision and the consultation response received, as well as detailing our view on the response, our decision and the reasons for that decision.

Background

On 30 June 2023, we consulted on our proposal to modify the electricity transmission licence held by NGESO, granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending:

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

- Special Condition 1.1 ('SpC 1.1')
- Special Condition 2.12 ('SpC 2.12')
- Special Condition 4.2 ('SpC 4.2')
- Special Condition 4.7 ('SpC 4.7')
- Special Condition 5.1 ('SpC 5.1')
- Special Condition 5.2 ('SpC 5.2')

We further proposed housekeeping amendments to Chapter 1.

We proposed these modifications to implement decisions made through our Business Plan 2 Final Determination and discussed with the ESO during this year's PCFM Working Groups.

Summary of consultation response and our view

We received one response to the statutory consultation from NGESO. The response was supportive of the proposed changes. NGESO raised additional issues and suggested further corrections to address typographical errors and housekeeping amendments in Special Conditions Chapters 1-4, as well as typographical errors and minor formula corrections in the ESO Price Control Financial Model (PCFM). An Issue Log including our views on the changes suggested is published alongside this letter.

Decisions

Having considered the responses to the statutory consultation, we have decided to modify in the manners set out in the consultation, with additional housekeeping amendments.

For further details on changes to the PCFM and PCFH please refer to Appendix 1 and Appendix 2 to the modification. These changes can also be seen in the tracked changes within the documents.

These modifications will take effect from 7 October 2023.

Yours faithfully,

Grendon Thompson
Interim Deputy Director
Institutions for Net Zero, Energy Systems Management and Security
Duly authorised on behalf of
the Gas and Electricity Markets Authority

11 August 2023