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Chris Train
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National Grid Transco

Dear Sonia,

Re : Allocation of roles and responsibilities between transmission and distribution networks; regulatory impact assessment

NGT is pleased to provide comment on the above.

Through the workgroup process, NGT has proposed and underpinned its support for Option 1, the “active” DN model. NGT believes that this provides optimum accountability and through clarity of roles best ensures continuation of security of supply while also maximising the scope for efficiency savings.

Under Option 1, each DN is responsible for all of the activities that take place within a DN; operation and congestion management, investment planning and investment, and DN maintenance planning and DN maintenance. This accountability is important to ensure that each network owner has certainty and clear responsibility allocated to him. This ensures that essential decisions regarding planning, investment and system operations are capable of being taken timely by each network owner. Without this certainty, the risks of failure, less efficient decisions and additional compliance costs would increase.

Placing accountability on the DN for operations and investment also creates the right incentives on the DN; who is best placed to make the most efficient trade offs between investment and use of diurnal storage and use of other balancing measures, and NGT notes the research conclusions that this model is used in the vast majority of systems around the world.

Options 2 and 3 contain proposals that attempt to draw parallels between network sales and the BETTA reforms for electricity transmission. NGT does not support these proposals. This is because the remit for network sales is to seek the appropriate division of responsibility between the national transmission system and the distribution networks, (which is at the NTS / DN interface). BETTA on the other hand has been structured to address a completely different set of issues and is confined in scope to the transmission system. In addition, Options 2 and 3 fail to take account of the difference in physical characteristics between gas and electricity, such as the ability to store gas in pipes.

NGT continues to believe that Option 1 gives the greatest scope for realisation of efficiency savings through comparative competition while retaining other important features, as discussed above.

I hope that this helpful. Please do not hesitate to contact me if you would like to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Train". The signature is fluid and cursive, with a prominent initial "C" and a trailing flourish.

Chris Train
Director