

## **National Grid response to Ofgem Open Letter: 93/06**

[Proposal to modify Standard Licence Conditions C5 \("Use of system charging methodology"\) and C6 \("Connection charging methodology"\) of the electricity transmission licence and Standard Special Condition A5 \("Obligations as regard charging methodology"\) of the gas transporters licence.](#)

### **Introduction**

National Grid welcomes the opportunity to comment on the above proposal and hopes that the following comments are of use to Ofgem.

National Grid understands that the proposed licence modifications may be requisite or expedient having regard to Ofgem's statutory duties under the Utilities Act 2000. However, National Grid is concerned about the impact that these modifications will have, both on the ability of the licensees to make timely changes to the relevant charging methodologies such that the associated relevant objectives are better achieved, and on the licensees' programme for the relevant changes.

### **Background**

SLC C5 and SLC C6 of the electricity transmission licence and SSC A5 of the gas transporters licence set out the conditions that must be met by the relevant licensees prior to any modifications being made to the relevant charging methodologies.

These conditions include a requirement to consult the relevant users on the proposed modification and allow them a period of not less than 28 days within which to make written representations. Following this consultation, the licensee is required to furnish the Authority with a report that includes:

- The terms originally proposed for the modification;
- The representations (if any) made to the licensee;
- Any change in the terms of the modification intended in consequence of such representations.

The Authority then has 28 days to make a decision on the charging methodology modification. Ofgem are seeking to extend this time period from 28 days to 3 months in circumstances where Ofgem deem it necessary to undertake a consultation on the proposed modifications.

### **Implications**

This would mean that the relevant users are consulted twice in close succession on the same proposed change to the "charging methodology" which would seem to be unnecessary. In addition to this, the timetables of both the licensees and the relevant users would be further complicated by the proposed modification. This has an especially large impact on gas DN's, such as National Grid Gas, as not only can they propose changes to "the charging methodology" but are also consulted as relevant users when changes are proposed by National Grid NTS.

SSC A5 includes a requirement for National Grid Gas NTS to use its reasonable endeavours to not make changes to “the charging methodology” more frequently than twice each formula year and for such changes to take place on 1 April and/or 1 October. The distribution networks retained by National Grid Gas are required to use their reasonable endeavours to not make changes to “the charging methodology” more frequently than once in each formula year and for such changes to take place on 1 October. Although there are no requirements in its licence, National Grid Electricity Transmission attempts to limit changes to the “Use of system charging methodology” and “Connection charging methodology” to be on an annual basis.

This means that an unanticipated extension in the time period for the Authority to make a decision could lead to a delay of 6 months or a year to the implementation of modifications that better meet the associated relevant objectives.

### **Alternative Solutions**

National Grid believe that consideration should be given to further modifications to SLC C5, SLC C6 and SSC A5 such that Ofgem can meet their statutory duties whilst minimising the impact on the licensee’s ability to make timely changes to the relevant charging methodologies such that the associated relevant objectives are better achieved. Some of the options available to achieve this, that National Grid believes are worthy of consideration, are:

1. A fundamental change to the requirements listed in SLC C5, SLC C6 and SSC A5 such that the impact on the overall programme of an extension to the time period for the Authority to make a decision from 28 days to 3 months is minimised, for example:
  - Where a 3 month time period is appropriate, conduct the relevant licensee and Ofgem consultations in parallel;
  - Only conduct a licensee consultation in circumstances where an Ofgem consultation is not deemed necessary.
2. Provision of additional information on the criteria against which Ofgem will decide whether a 28 day or 3 month decision time period is appropriate, such that this can be included in the relevant licensee’s programme for the relevant modification;
3. For circumstances where Ofgem deem a 3 month time period is appropriate, Ofgem notifying the relevant licensee is essential such that this can be included in the licensee’s programme for the relevant modification.