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Our Reference:

Your Reference:

Date : 5th January 2009

Dear Lesley,

Request for derogation from standard condition C14 (Grid Code) ('SLC C14') of the electricity transmission licence of National Grid Electricity Transmission plc ('NGET') – 167/08

Thank you for the opportunity to respond to the above consultation. Our responses to the questions posed are given below. In addition, I would like to make the following points.

It is clear that the requirement to comply with Grid Code OC 6.6 (Low Frequency Demand Disconnection, LFDD) is a critical necessity to limit the consequences of a major loss of generation or an event on the system, and one that would not ordinarily be the subject of a derogation. However, we are pleased that consideration has been given to the interaction of the electricity and gas systems in assessing the derogation request and would welcome this wider view being taken in the consideration of other aspects of change to the gas and electricity arrangements. In this context, we are also sympathetic to special consideration being given to the treatment of storage facilities and support the use of derogations from technical requirements where they can be shown to be economic and efficient for the operation of the respective systems.

That said, we believe that whilst there is no reason to cut short the duration of the existing time-limited derogation, in the longer-term, we would expect the requirement for Grain LNG to provide LFDD to be decided in a manner consistent with the treatment of other non-embedded and embedded customers, and in particular other storage sites.

Please do not hesitate to contact me should you wish to discuss this further.

Yours sincerely

Robert Hackland
Regulation Manager

Questions

i) Do respondents consider that NGET's treatment of NG GLNG in this instance is consistent with NGET's obligations under SLC C7 (Prohibition on discriminating between users) of its transmission licence? For example, are respondents aware of other similar non-embedded customers that have not been treated in a consistent manner?

We are not aware of NGET treating any other non-embedded customer in a manner which is either consistent or otherwise with their treatment of NG GLNG under this time-limited derogation. However, we would expect the long-term arrangements to be consistent with the treatment of all non-embedded customers and that this is also consistent with the treatment of embedded customers connected to the electricity Distribution networks.

ii) Have respondents identified any scope for commercial advantage to NG GLNG relative to other similar non-embedded customers as a result of the time-limited derogation?

No, we do not believe that there would be scope for material commercial advantage to NG GLNG as a result of the time-limited derogation.

iii) Are there any other reasons why the Authority should consider revoking or not extending the derogation should a more enduring derogation be applied for?

We believe that it is appropriate for the existing time-limited derogation to continue for its term. However, we would expect that any application for a further derogation would be considered in line with the treatment of both non-embedded and embedded customers, and in particular other storage sites.