

## COLLECTIVE LICENCE MODIFICATION

### NOTICE OF PROPOSED MODIFICATION OF STANDARD LICENCE CONDITION C16 OF THE ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 11A OF THE ELECTRICITY ACT 1989

**The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11A (3) of the Electricity Act 1989 ("the Act") as follows:**

1. National Grid Electricity Transmission plc ("the licensee") holds an Electricity Transmission Licence ("the licence"), treated as granted pursuant to section 6(1)(b) of the Electricity Act 1989 ("the Act"), with Standard Licence Condition C16 ("SLC C16") switched on for the purposes of its role as the operator of the national electricity transmission system.
2. In accordance with section 11(3) of the Act, the Gas and Electricity Markets Authority ("the Authority"):
  - (i) gave notice that it proposed to modify SLC C16 of the Electricity Transmission Licence in accordance with the Schedule to that notice;
  - (ii) published the Notice ("the Notice") on 8 July 2009 in a manner it considered appropriate; and
  - (iii) served a copy of the Notice on the licensee.
3. The Authority received two representations to the proposed modification before the relevant time specified in the Notice. One response proposed a revision to the definition of "transmission constraint" as set out in paragraph 15 of the proposed modification to SLC C16.
4. The proposed modification currently includes the following definition for "transmission constraint":

"transmission constraint" means any limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated which arises as a result of:

  - (a) the thermal rating of one or more high voltage electric lines forming part of the national electricity transmission system being exceeded;
  - (b) the inability to maintain voltages on the national electricity transmission system within limits prescribed in the National Electricity Transmission System Security and Quality of Supply Standard referred to in Condition C17 (Transmission system security standard and quality of service) or any other

provision of the Act, this licence or any other requirement of law; or

- (c) limitations to ensure the transient and dynamic stability of electrical plant, equipment and systems directly or indirectly connected to the national electricity transmission system being breached.”

5. It has been suggested that this definition is inaccurate because if power is being supplied, it is not being limited and as such the proposed definition of “transmission constraint” appeared to conflate the circumstances where a limit is being exceeded with the circumstances where a limit is being avoided. Therefore the following revised definition for “transmission constraint” is proposed:

“ “transmission constraint” means any limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated, such limit arising as a result of any one or more of:

- a. the need not to exceed the thermal rating of any asset forming part of the national electricity transmission system;
- b. the need to maintain voltages on the national electricity transmission system; and
- c. the need to maintain the transient and dynamic stability of electrical plant, equipment and systems directly or indirectly connected to the national electricity transmission system

and used by the licensee to operate the national electricity transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in condition C17 (Transmission system security standard and quality of service) or any other provision of the Act, this licence or any other requirement of law.”

6. The proposed revision to the definition of “transmission constraint” does not affect any other part of SLC C16.
7. Having carefully considered the proposed amendment to the proposed modification of paragraph 15 of SLC C16, the Authority is of the view that this is a material change to the proposed modification of SLC C16, and consequently the statutory consultation process must be repeated.
8. Under the proposed licence modification, the licensee is required, before 5 November 2009, to prepare a statement of the system management action flagging methodology in accordance with the provisions of paragraph 6A of Standard Condition C16. In order to meet the 5 November deadline<sup>1</sup> NGET must proceed to

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<sup>1</sup> The implementation date for P217A is 5 November 2009. The Authority considers that delaying implementation of P217A beyond 5 November 2009 would delay the benefits to Parties and customers identified in Ofgem’s impact assessment for P217A. In addition, to meet this deadline Elexon and NGET have developed and modified BSC and Transmission Company systems and processes to ensure that they are established in advance of the implementation date. Delaying implementation beyond 5 November could create disruption and uncertainty for Parties (including NGET), who are preparing their systems to be ready for this deadline. It would also lead to additional administrative costs associated with consequential modifications required to amend BSC legal text.

consult the parties to the Balancing and Settlement Code ("BSC") on the proposed statement before the proposed modifications to the licence have been finalised. To that end, this statutory consultation is without prejudice to the consultation process undertaken by NGET.

9. Information in relation to the proposed collective licence modification is contained in the following documents:
  - a. The final modification report: Modification Report for Modification Proposal P217 "Revised Tagging Process and Calculation of Cash-out Prices", 11 July 2008<sup>2</sup>.
  - b. The impact assessment for P217: BSC Modification Proposal P217 "Revised Tagging Process and Calculation of Cash-out Prices", 11 August 2008.
  - c. The Authority's decision of 16 October 2008 approving P217A.
  - d. Open letter: Notice of Proposed Modifications of Standard Licence Condition C16 of the Electricity Transmission Licence under Section 11A of the Electricity Act 1989, dated 8 July 2009.
  - e. Notice of Proposed Modifications of Standard Licence Condition C16 of the Electricity Transmission Licence under Section 11A of the Electricity Act 1989, dated 8 July 2009.
  - f. Schedule: Proposed Modifications of Standard Licence Condition C16 of the Electricity Transmission Licence under Section 11A of the Electricity Act 1989, dated 8 July 2009.
10. All of the above documents, except for the final modification report, are available from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk).
11. Relevant licence holders for the purposes of this Notice are holders of the Electricity Transmission Licence (Standard Conditions) at the relevant time with SLC C16 in force.
12. Relevant licence holders who wish to register a statutory objection may use the pro-forma appended to this Notice. Any representations from interested third parties or objections to the proposed collective licence modification may be made by 23 September 2009 and sent to:

Ian Marlee  
Director, Trading Arrangements  
Office of Gas and Electricity Markets  
9 Millbank  
London SW1P 3GE

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<sup>2</sup> A copy of this report can be found at the following website: [www.elexon.co.uk](http://www.elexon.co.uk)

or by email to [GB.Markets@ofgem.gov.uk](mailto:GB.Markets@ofgem.gov.uk)

13. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if a respondent does not wish their response (or any part of it) to be made public then they should clearly mark their response (or the relevant part of it) as not for publication. Ofgem prefers to receive responses in electronic form so they can be placed easily on the Ofgem website.
14. If you wish to discuss any aspect of this Notice, Ben Woodside (020 7901 7471) or Raihana Braimah (020 7901 7005) would be pleased to assist.

**Ian Marlee**  
**Director, Trading Arrangements**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**25 August 2009**

**Suggested pro forma to register a statutory objection for statutory Collective Licence Modifications**

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**Proposed Modification of Standard Licence Condition(s)**

SLC C16 in Electricity Transmission Licence

In response to the statutory notice dated xx August 2009 in respect of the above proposed modification, this notice constitutes a statutory objection to that proposal on behalf of [state full name of each relevant licence holder making the objection]. I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

[Signed]

Date: [xx]

[Address for acknowledgement, preferably including email address]