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Dear Colleague

Re-consultation on Collective Licence Modification: Notice of Proposed Modifications of Standard Licence Condition C16 of the Electricity Transmission Licence under Section 11A of the Electricity Act 1989

On the 8 July 2009 the Gas and Electricity Markets Authority ("the Authority") issued a Notice seeking representations or objections to the proposed collective licence modification of Standard Licence Condition C16 'Procurement and use of balancing services' ("SLC C16") of the Electricity Transmission Licence ("the licence") under Section 11A of the Electricity Act 1989 ("the Act")¹. The effect of the proposed modification to SLC C16 of the licence is to support implementation of Balancing and Settlement Code ("BSC") Alternative Modification P217A ("P217A") which the Authority approved on 16 October 2008 and is due to be implemented on 5 November 2009².

The Authority did not receive any objections to the proposed collective licence modification but we did receive two representations. The first representation, from National Grid Electricity Transmission ("NGET"), had no objection to the proposed collective licence modification and provided no further comments. However, the second (confidential) representation provided a number of comments. In particular, the respondent considered that the definition of "transmission constraint" in the proposed licence modification was inaccurate. The definition proposed was:

"...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

¹ For further information on the reasons for the proposed collective licence modification please refer to the Authority's letter 'Collective Licence Modification: Notice of Proposed Modifications of Standard Licence Condition C16 of the Electricity Transmission Licence under Section 11A of the Electricity Act 1989' published on Ofgem's website on 8 July 2009: www.ofgem.gov.uk

² Further information on P217A can be found at the following link: www.elexon.co.uk

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”

The respondent argued that the proposed definition of “transmission constraint” did not distinguish between situations where a “limit” is being exceeded and situations where a limit is being avoided. After further discussions with the respondent and NGET (the “relevant licensee” for the purposes of the collective licence modification procedure), Ofgem considers that the definition in the July licence consultation could be improved to clarify the meaning of “transmission constraint”. We are therefore re-consulting on the proposed licence modification with a revised definition of “transmission constraint” that attempts to provide this clarification. The attached Schedule to this Notice outlines the new definition.

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 8 of Standard Condition C16. In order to meet the 5 November deadline³ NGET must consult with BSC Parties on the proposed statement before the proposed modifications to the licence have been finalised. To that end, this statutory consultation process is without prejudice to the NGET process.

The attached Notice invites representations or objections concerning the revised definition of “transmission constraint” by 23 September 2009.

Yours sincerely,

Ian Marlee
Director, Trading Arrangements

³ 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.