Transmission licensees, generators, suppliers, consumer groups and any other party who has an interest in the transmission arrangements.

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Dear Colleague

Security & Quality of Service Standard Amendment Request (GSR007)

On 10th September 2009 the Authority received licence modification requests from National Grid Electricity Transmission Ltd (NGET), SP Transmission Ltd (SPT) and Scottish Hydro-Electric Transmission Ltd (SHETL). These requests were triggered by the Security and Quality of Service Standard (SQSS) Review Group Amendment Report[1] recommending a change in the permitted loss infeed risks allowed for circuits on the transmission network.

The purpose of this letter is to outline the background to these proposals and set out the indicative process that Ofgem will follow in considering the proposed change to the National Electricity Transmission System (NETS) SQSS which would take effect through associated licence modifications. It also sets out details of our proposed timetable for this review.

Background and context

Pursuant to standard licence conditions C17, D3 and E16 owners and operators of onshore and offshore transmission systems are required to plan and operate the transmission system in accordance with the NETS SQSS which has been approved by the Authority. The NETS SQSS sets out the criteria and methodologies that those licensees shall use in the planning and operation of the transmission system. The current version of the NETS SQSS (Version 2.0) is published on NGET's website[2].

Amongst other things the generation connection criteria for both onshore and offshore transmission in the NETS SQSS set out limits to the loss of power infeed under defined sets

[1] https://www.nationalgrid.com/NR/rdonlyres/EF5C0829-1C5E-4258-8F73-70DC62C43F49/36936/SQSS1320Reportv10_final.pdf
[2] https://www.nationalgrid.com/NR/rdonlyres/149DEAE1-46B0-4B20-BF9C-66BDCB805955/35218/NETSSQSS_GoActive_240609.pdf

of events ("secured events") on the transmission system such as fault outages of transmission circuits. The loss of power infeed is the output of a generating unit or a group of generating units or the import from external systems disconnected from the system by a secured event, less the demand disconnected from the system by the same secured event. Specifically there are two different limits:

- Normal infeed loss risk – currently 1000MW, this limit applies to loss of power infeed caused by fault outages on any single generation circuit, single busbar or mesh corner. This corresponds to the level covered over long periods operationally by frequency response to avoid system frequency deviation outside the range of 49.5Hz to 50.5Hz.

- Infrequent infeed loss risk – currently 1320MW, this limit applies to loss of power infeed caused by fault outages on any two transmission circuits, or any two generation circuits on the same double circuit overhead line. This corresponds to the level covered over long periods operationally by frequency response to avoid system frequency deviation outside the range of 49.5Hz to 50.5Hz for more than 60 seconds.

On 22nd February 2008 EDF Energy plc (EDF)[3] raised a request to review the normal and infrequent infeed loss risk limits[4] within the NETS SQSS. They consider that the current infeed loss risk limits are no longer consistent with the range of generation technologies that might be built. Specifically, they considered that the current limits could act as a barrier to the timely access of a number of large generating units being considered. A number of new generator designs are being considered including nuclear units which could pose a loss of power infeed of up to 1800MW and coal fired plants of unit sizes greater than 1000MW. Consequently, EDF proposed that a review of the infeed loss risk limits was required.

In recognition of the fact that the NETS SQSS may need, from time to time, to be developed and amended to reflect changes in the industry and technology, the licensees (currently NGET, SPT and SHETL) had established a review group – the SQSS Review Group – to co-ordinate these activities. Governance arrangements[5] for the group have been published including the procedures for proposing amendments, and recommending changes to the Authority where appropriate. Where the SQSS Review Group considers that a proposed amendment requires further consideration then it may form a Working Group to carry out further analysis.

On 10th April 2008 the SQSS Review Group determined that the proposal should be considered by a Working Group. The Working Group met on six occasions over the period June to December 2008 and reported to the SQSS Review Group in January 2009.

[3] http://www.nationalgrid.com/NR/rdonlyres/0951D356-E277-4E03-823E-A381FD008BA6/24946/Infeed_Loss_Limits.pdf
[4] The Normal infeed loss risk is set out in section 2.6.1 to 2.6.3 of the NETS SQSS. Infrequent infeed loss risk is set out in sections 2.6.4-2.6.6 of the NETS SQSS.
[5] http://www.nationalgrid.com/NR/rdonlyres/00679067-2077-42A0-B975-FA214D179FF4/17781/governance.pdf

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On 4th February 2009 the SQSS Review Group issued the Working Group report for consultation[6]. The report set out the initial view that the infeed loss risk limits be raised. The final Amendment Report, issued to Ofgem on 10th September 2009, summarises the views expressed by interested parties during this consultation exercise. The final SQSS Review Group report makes the following recommendations:

- raising the normal infeed loss risk to 1320MW from the 'infeed change date';
- raising the infrequent infeed loss risk to 1800MW from the 'infeed change date';
- the 'infeed change date' should be the date on which a single generating unit, CCGT module, boiler or nuclear reactor of Registered Capacity greater than 1320MW connects to the transmission system; and
- paragraph 2.6.3 of the current NETS SQSS should be modified to refer to the 'infrequent loss risk' rather than the normal infeed loss risk.

The Amendment Report, which underpins these recommendations, sets out the analysis undertaken by the SQSS Review Group, including cost benefit analysis, and an assessment against the SQSS principles. The report does not consider the charging implications of the proposed amendment. NGET are separately reviewing the charging implications and intend to publish a consultation on these in due course.

Intended Process

This is the first licence change request which the Authority has received as a result of a proposed change by the SQSS Review Group. Any change to the NETS SQSS would require associated changes to:

- Standard Licence Condition C17 (Transmission System Security Standard and Quality of Service) of the electricity transmission licence of NGET;
- Standard Licence Condition D3 (Transmission System Security Standard and Quality of Service) of the electricity transmission licences of SPT and SHETL; and
- Standard Licence Condition E16 (Transmission System Security Standard and Quality of Service) of the electricity transmission licences of Offshore Transmission Owners (OFTOs).

These licence conditions refer to specific versions of the NETS SQSS and the modifications would therefore be required to reference the updated version (version 2.1) of the NETS SQSS.

Section 5A of the Utilities Act 2000, as amended by the Sustainable Energy Act 2003, requires that Ofgem undertake an impact assessment on any proposal which is considered to be 'important' and falls under our duties contained in Part 1 of the Electricity Act 1989. Ofgem considers that, as the proposed modifications could if implemented have a significant effect on the transmission network and in particular a potentially significant impact on market participants in the gas and electricity sector and on the environment, it would be appropriate to conduct an impact assessment on the recommendations made in the Amendment Report.

[6] http://www.nationalgrid.com/NR/rdonlyres/EEEB8EDB-6AA5-4D44-BFDC-763ECE251E73/31739/SQSS1320Reportfinalv10_040209_.pdf

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We consider it important that the impact assessment considers the full range of possible impacts of the proposal. This includes any associated charging implications. Given NGET are separately undertaking the process of reviewing the charging implications we intend to publish the initial impact assessment once we have received these proposals.

Way Forward

The following table sets out our proposed timeline for reviewing, consulting on and making a decision on the proposed modification to the NETS SQSS which would take effect through associated licence modifications. There will be further detail on the timetable for the associated charging work provided as part of NGET's consultation on this issue.

November 2009	Charging implications consultation from NGET
January 2010	Ofgem publish impact assessment for consultation
April 2010	Ofgem publish decision and if appropriate give notice of a licence modification change proposal[7] (28 day statutory consultation)
May 2010	Ofgem issue decision notice and, if appropriate, a direction to modify the licence.

We welcome any comments from interested parties on our intended approach and indicative timetable. If you have any comments or other queries relating to this matter please direct them to Grant McEachran on 0141 331 6008 or by e-mailing grant.mceachran@ofgem.gov.uk.

Yours faithfully

Stuart Cook
Acting Senior Partner - Transmission & Governance

[7] In addition to GEMA's powers to modify licence conditions under sections 11 and 11A of the Electricity Act 1989, the Secretary of State has a discrete power under section 90 of the Energy Act 2004 to modify standard licence conditions relating to OFTOs. Section 90 was commenced with effect from 19 June 2009 by the Energy Act 2004 (Commencement No.9) Order 2009 and is exercisable only during the 18 months from commencement. We will liaise with DECC on any proposed modification to SLC E16 which relates to OFTOs.

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