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1st April 2010

Our reference ML/DW/BM

Dear Gareth

Open letter consultation on Standard Condition 24 (Distribution System planning standard and quality of performance reporting); Electricity Distribution License

Thank you for the opportunity to provide comment on the above consultation. We recognise the context of this proposal to extend the direction for managing compliance with Engineering Recommendation P2/6 for which explicit direction towards the self-derogation of demands less than 60MW and less than 12MW in size was given. National Grid has no objections to the extension of the self-derogation approach. However, given the opportunity to respond, we would seek to draw your attention to the following points in your consideration of this extension:

- i) In England and Wales there are very few examples of less than 60MW direct connections, and where these exist they are generally to bodies other than DNOs (for example traction supply points) for whom the substance of bilateral arrangements (rather than the requirements of P2/6) apply. As such, in England and Wales, the issue does not directly impact National Grid very extensively.
- ii) However National Grid, in its role as GBSO, has transmission operational responsibility in Scotland as well as within England and Wales. In Scotland, transmission interfaces of sub 60MW in size are more plentiful, and therefore the issue referenced in the consultation is more likely to have an impact on National Grid's operations. It is noted that the relevant transmission licensees obligations, and distribution licensees through the Grid Code, to ensure compliance with the NETS SQSS is unchanged and hence the interface with the National Electricity Transmission System will be unaffected by this self-derogation process.
- iii) As I'm sure you are aware, the B07 changes to Grid Code are being introduced to provide clarity of the Grid Code data exchanges between Transmission, Distribution and Operator licensees in order to ensure a common understanding of planning sufficient demand security at the interface, particularly in areas of the system where operation is complex. Part of this data exchange process is associated with providing details of network reconfiguration between Grid Supply Points through alternative operation of the DNOs network. This will provide greater transparency as to whether Bulk Supply Points (BSP) which represent sub 60MW demand groups in themselves can be supported by the Grid Supply Point within the Access Group to which that demand is transferred. Were such transfers not to be possible it would be because either the larger Access Group had insufficient capacity, or because the BSP within the group has insufficient capacity to operate compatible with the provisions of ERP2/6 in those scenarios. To the extent that these situations arise out of self-derogations against P2/6, it is essential that such self-derogations are required to be declared in the B07 data exchange process, so that the issues

can be fully taken into account in the design, reinforcement and operation of the interface between the transmission and distribution systems.

- iv) On a broader note, transmission and distribution planning standards both embed the consistent treatment of demand groups based on size and scenario in order to avoid perverse incentives between network operators in the economic and efficient securing of demand. There is a danger that continuance of self-derogations provides some incentive to classify demand groups as being under 60MW to allow self-derogations as an alternative to investment which would, in the broader customer context, be economic and efficient. Given the extent and potential remoteness from the interface with its system such decisions will not be visible to National Grid until it potentially gives rise to an inability at the supergrid interface to satisfy demand security requirements at the interface where such demand groups are aggregated.
- v) An additional issue for consideration is the acute public, government, media and international attention which will be focussed on the UK during the Summer Olympics in 2012. Clearly, security of supplies of services to the Olympics will be critical during this period. It is unclear how many of these services would comprise or be included within sub 60MW demand groups which are, or are planned to be, associated with Olympic supplies in 2012, nor how many of these may be subject to such self-derogation of insufficient planned supply capacity that might be now impacted by extending the period of this proposal. National Grid is liaising proactively with DNOs in the appropriate planning of network assets during this period, and knowledge of any potential issues of supply capacity at critical sites is a crucial area to address in this context.
- vi) ER P2/6, as does chapter 3 of the NETS SQSS, operates on the principle of treating all demand equally with discrete economic assessment or customer choice permitting deviation where warranted or so requested. It is not clear as to the extent to which the external stakeholders, particularly including the customers of the distribution licencees, have an opportunity to express any view over the appropriateness of the continued extension of these measures. This is particularly the case given the unprecedented challenges faced by both distribution and transmission companies in terms of providing secure electricity supplies while facilitating the connection of low carbon generation.
- vii) To help remedy a number of the above points, it would be helpful for the Authority to set out clear criteria that it would apply in determining if a derogation was valid (e.g. what actions to manage these situations operationally were expected over such interim periods, and what risks are acceptable in those periods), in order to guide distribution companies on how they should consider self-derogation. This should ensure a level of consistency between companies, and help ensure relatively limited latitude in risk approach between them.

I trust you find the above helpful. Please contact either Ben Marshall (01926 655382) or myself if you would like to discuss this further.

Yours sincerely

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