



*Promoting choice and value for
all gas and electricity customers*

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

Date: 25 January 2011

Dear colleague

Consultation on proposed licence modification to Standard Licence Conditions C17, D3 and E16 of the electricity transmission licence (Transmission system security standard and quality of service); and Notice under Section 11A of the Electricity Act 1989

This letter sets out our proposal to amend the electricity transmission licence conditions to ensure compliance with the updated National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS).

Licence modification requests were received in December 2010 from the three existing Electricity Transmission Licensees (National Grid Electricity Transmission plc (NGET), SP Transmission Limited (SPT) and Scottish Hydro Electricity Transmission Limited (SHETL)).

This notice is also being provided to the preferred bidders for offshore transmission licences, as these bidders are persons likely to be affected by the making of the modifications (section 11A(4) Electricity Act 1989).

Background

This letter is issued in conjunction with our decision letter¹ regarding GSR007 and GSR007-1 – proposals to amend the NETS SQSS. Submitted by the SQSS Review Group ('Review Group'), these proposals recommended increasing the infeed loss risk limits². The infeed loss risk limits are applied in the planning of the electricity transmission system as the maximum amounts of generation that can be disconnected from the transmission system by certain events defined in NETS SQSS. They also have implications on the operation of the transmission system by affecting the amount of instantaneous loss of generation against which the system frequency must be maintained.

After consultation on the issues in November 2010³, and consideration of the GSR007 proposal along with the GSR007-1 alternative, the Authority made the decision to approve the changes set out in GSR007-1. In order for these changes to take effect the electricity transmission licence conditions C17, D3 and E16 need to be modified to refer to the new version of the standard (version 2.1).

¹ <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/SQSS/Pages/SQSS.aspx>

² <http://www.nationalgrid.com/NR/rdonlyres/749C9FD8-1651-4059-8219-564940C4678C/44473/ReporttoAuthorityfinal.pdf>

³ <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/SQSS/Documents1/GSR007%20IA%20Final.pdf>

Next Steps

We have today issued a Collective Licence Modification (CLM) notice consulting on the proposed changes (see Appendix 1). In accordance with the CLM process, relevant licence holders have 28 days to raise any objections to the proposed changes. Subject to responses to the CLM, we intend to make the proposed modifications.

Any queries regarding the content of this letter should be made to Sheona Mackenzie (Sheona.mackenzie@ofgem.gov.uk , telephone - 0141 331 6019) in the first instance.

Yours faithfully

Hannah Nixon
Partner, Transmission

Appendix 1

To: all holders of an electricity transmission licence and preferred bidders under the offshore transmission operator (OFTO) tender processes

NOTICE OF PROPOSED MODIFICATION OF STANDARD CONDITIONS C17, D3 AND E16 'TRANSMISSION SYSTEM SECURITY STANDARD AND QUALITY OF SERVICE' OF ELECTRICITY TRANSMISSION LICENCES UNDER SECTION 11A OF THE ELECTRICITY ACT 1989

1. The Authority proposes to modify standard licence conditions C17, D3 and E16 'Transmission system security standard and quality of service' (SLC C17 D3 and E16) of the electricity transmission licence (the "Licence"), granted or treated as granted to all electricity transmission licensees under section 6(1)(b) of the Act.
2. The Authority proposes to modify SLC C17, of the Licence by amending paragraph 1 to refer to version 2.1 rather than version 2 of the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS).
3. The Authority proposes to modify SLC D3 of the Licence by amending paragraph 1 to refer to version 2.1 rather than version 2 of the NETS SQSS.
4. The Authority proposes to modify SLC E16 of the Licence by amending paragraph 1 to refer to version 2.1 rather than version 2 of the NETS SQSS.
5. The effect of the proposed modifications will be to ensure compliance with the latest version of the NETS SQSS which has been updated to reflect the recent decision to increase the infeed loss risk limits allowed under the NETS SQSS. This version is named version 2.1 and comes into force after this consultation. The modifications ensure that the decision to amend the SQSS is given practical effect through the transmission licence conditions.
6. The reasons for the Authority's decision to amend the NETS SQSS are set out in the decision letter issued along with this Notice⁴.
7. The relevant licence holders for the purpose of this Notice are National Grid Electricity Transmission plc (NGET), SP Transmission Ltd (SPT) and Scottish Hydro Electricity Transmission Ltd (SHETL). The OFTO bidders are also being sent copies of this notice, as persons likely to be affected by the proposed modifications.
8. A pro forma that the licensees may wish to use in order to register a statutory objection is appended to this notice.
9. A copy of the proposed modification and other documents referred to in this notice are available (free of charge) from the Ofgem Library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
10. Any representations or objections to the proposed licence modifications must be made on or before 22 February 2011 to :

Sheona Mackenzie, Office of Gas and Electricity Markets, 107 West Regent Street, Glasgow, G2 2BA sheona.mackenzie@ofgem.gov.uk

⁴ <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/SQSS/Pages/SQSS.aspx>

11. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their responses to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic format so they can be easily placed on the Ofgem website.
12. Subject to the outcome of this statutory consultation and consideration of respondents' views, it is the intention of the Authority to modify the standard licence conditions of the electricity transmission licences to give effect to the updated NETS SQSS.
13. If you wish to discuss any aspect of this Notice, please contact Sheona Mackenzie (details provided above).

Hannah Nixon, Partner, Transmission
Duly authorised on behalf of the Gas and Electricity Markets Authority

25 January 2011

NOTICE OF STATUTORY OBJECTION

Proposed Modification of Standard Licence Conditions C17, D3 and E16 of the electricity transmission licence

In response to the statutory notice dated 25 January 2011 in respect of the above proposed modification, this notice constitutes a statutory objection to that proposal on behalf of⁵

.....

I confirm that I am duly authorised to give this notice on behalf of the above named company or each of the above named companies.

Signed⁶:

Date:

⁵ Please state full name of each relevant licence holder making the objection.

⁶ Please include address for acknowledgment, preferably including an email address.

SCHEDULE

PROPOSED MODIFICATION OF THE STANDARD CONDITIONS OF THE ELECTRICITY TRANSMISSION LICENCE

Standard Conditions C17, D3 and E16 of the transmission licence are proposed to be modified in the manner set out in this schedule. The proposed insertions are shown underlined and proposed deletions are shown crossed through.

Condition C17: Transmission system security standard and quality of service

1. Subject to any connect and manage derogation made pursuant to paragraphs 2, 3 and 4 of this condition, the licensee shall at all times:
 - a. plan, develop and operate the licensee's transmission system; and
 - b. co-ordinate and direct the flow of electricity onto and over the national electricity transmission system,in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2.1, together with the STC, the Grid Code or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby).
2. Before making a connect and manage offer in accordance with standard condition C26 (Requirement of a connect and manage connection), the licensee shall determine whether, if it were to make that connect and manage offer, it would comply with paragraph 1 of this condition at the connection date. If the licensee determines that making that connect and manage offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether, and to what extent, a connect and manage derogation is required and appropriate and produce a connect and manage derogation report thereon.
3. Where a connect and manage derogation report is submitted to the licensee by another transmission licensee as part of an associated TO offer, the licensee shall:
 - a. determine whether the connect and manage derogation detailed in the connect and manage derogation report satisfies the connect and manage derogation criteria; and
 - b. Electricity Transmission Licence: Standard Conditions
 - c. if it does not satisfy such criteria advise the relevant transmission licensee as soon as reasonably practicable following receipt of the associated TO offer that it proposes to raise a dispute under the STC in respect of the connect and manage derogation. The licensee shall be deemed to have approved the connect and manage derogation on acceptance of the TO offer.
4. Where the licensee determines that a connect and manage derogation is required to enable it to make a connect and manage offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed.
5. The licensee shall at all times have in force a statement approved by the Authority following consultation with any relevant authorised electricity operator setting out criteria by which system availability, security and service quality of the national electricity transmission system may be measured and where such measurement is dependent on information provided to the licensee by a transmission owner, the statement shall specify the information to be so provided.

6. The licensee shall within 4 months after the end of each financial year submit to the Authority a report providing details of system availability, security and service quality of the national electricity transmission system during the previous financial year against the criteria referred to in paragraph 5 of this condition and shall publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.
7. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system or the national electricity transmission system and to such extent as may be specified in the directions.
8. The licensee shall give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
9. The licensee shall (subject to paragraph 10) give or send a copy of the documents (as from time to time revised) referred to in paragraph 8 to any person requesting the same.
10. The licensee may make a charge for any copy given or sent pursuant to paragraph 9 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition D3: Transmission system security standard and quality of service

1. Subject to any connect and manage derogation made pursuant to paragraphs 2 and 3 of this condition, the licensee shall at all times plan and develop the licensee's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version ~~2~~ 2.1, together with the STC or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorized electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system.
2. Before making a TO offer to the system operator in accordance with standard condition D16 (Requirements of a connect and manage connection), the licensee shall
 - (a) determine whether, if it were to make that TO offer, it would comply with paragraph 1 of this condition at the connection date;
 - (b) if the licensee determines that making that TO offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether, and to what extent, a connect and manage derogation is required;
 - (c) where the licensee has identified the need for a connect and manage derogation, submit a connect and manage derogation report to the system operator as part of the TO offer in accordance with the timetable under the STC.
3. Where the licensee determines that a connect and manage derogation is required to enable it to make a TO offer in respect of a connect and manage application and the system operator has accepted the TO offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed.
4. The licensee shall no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph 6 of standard condition C17 (Transmission system security standard and quality of service) of the transmission Licence.
5. *(Omitted)*
6. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
7. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
8. The licensee shall (subject to paragraph 9) give or send a copy of the documents (as from time to time revised) referred to in paragraph 7 to any person requesting the same.
9. The licensee may make a charge for any copy given or sent pursuant to paragraph 8 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition E16: Transmission system security standard and quality of service

1. The licensee shall at all times plan and develop the licensee's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version ~~2~~ 2.1, together with the STC or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system.
2. The licensee shall no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph 3 of standard condition C17 (Transmission system security standard and quality of service) of the transmission Licence.
3. *(Omitted)*
4. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
5. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
6. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.
7. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.