

To: National Grid Electricity Transmission plc

MODIFICATION OF STANDARD CONDITION C13 (ADJUSTMENT TO USE OF SYSTEM CHARGES (SMALL GENERATORS)) OF THE ELECTRICITY TRANSMISSION LICENCES UNDER SECTION 11A OF THE ELECTRICITY ACT 1989

NOTICE OF THE REASONS FOR THE DECISION TO MODIFY STANDARD CONDITION C13 OF THE ELECTRICITY TRANSMISSION LICENCES UNDER SECTION 49A OF THE ELECTRICITY ACT 1989

Whereas:

1. National Grid Electricity Transmission plc holds an electricity transmission licence granted under section 6(1)(b) of the Electricity Act 1989 (the "Act").
2. In accordance with paragraph 11A(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority") gave notice on 16 December 2010 (the "Notice") that it proposed to modify, in the manner as set out in the schedule to the Notice, Standard Condition C13 of the electricity transmission licences.
3. The effect of the licence modification is to extend the date that the small generator discount set out in Standard Condition C13 is in effect. It will also remove the requirement on National Grid Electricity Transmission plc to use its "best endeavours" to develop and implement use of system charges for eligible generators¹ under its use of system charging methodology.
4. The Authority received two responses in relation to the proposed modifications, one of which is confidential. No responses were withdrawn. No notice of objection to the proposed licence modification was given to the Authority within the time specified in the Notice by a relevant licence holder. The Authority has considered the responses made in relation to the proposed licence modifications.
5. In accordance with section 11A(4)(b) of the Act, the Authority sent a copy of the Notice to the Secretary of State and did not receive a direction from the Secretary of State not to make the modifications.
6. The reason for modifying Standard Condition C13 is to require National Grid Electricity Transmission plc to continue to discount the use of system charges for eligible generators. It will also remove the requirement on National Grid Electricity Transmission plc to use its "best endeavours" to develop and implement use of system charges for eligible generators under its use of system charging methodology. Detailed reasons for making the licence modifications are contained in the following documents:
 - (a) Consultation on the discount for small transmission connected generators from 31 March 2011 – Ofgem Ref: 130/10².
 - (b) Consultation on proposed licence modifications to Standard Licence Condition C13 of the electricity transmission licence (Adjustment to use of system charges

¹ As defined in SLC C13.

²

http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/Charging/Documents1/101810_Small%20gen%20open%20letter%20publisheda.pdf

(small generators)); and Notice under Section 11A of the Electricity Act 1989 –
Ofgem Ref: 158/10³

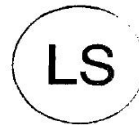
7. Documents referred to in this Modification are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, Westminster, SW1P 3GE (020 7901 7003 or library@ofgem.gov.uk) or from the Ofgem website (www.ofgem.gov.uk). The non confidential response received is also available from the Ofgem Research and Information Centre or on the Ofgem website⁴.

Therefore:

In accordance with the powers contained in section 11A(1) of the Act, the Authority hereby modifies Standard Condition C13 (Adjustment to use of system charges (small generators)) of the electricity transmission licences granted under section 6(1)(b) of the Act in the manner set out in the schedule to this Modification, with effect on and from 20 January 2011.

This document also constitutes notice of reasons for the decision to modify the standard conditions of the electricity transmission licences under section 49A of the Act.

The official seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



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

20 January 2011

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<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Consultation%20letter%20and%20CLM.pdf>

⁴
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=167&refer=LICENSING/WORK/NOTICES/MODNOTICE>

SCHEDULE

MODIFICATION OF THE STANDARD CONDITIONS OF THE ELECTRICITY TRANSMISSION LICENCES

Standard Condition C13 of electricity transmission licences is modified in the manner set out in this schedule. The insertions are shown underlined and deletions are shown crossed-through.

Condition C13: Adjustments to use of system charges (small generators)

1. When calculating use of system charges (other than charges relating to the provision of balancing services) to eligible generators the licensee shall set a charge in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) less a designated sum.
2. When calculating use of system charges (other than charges relating to the provision of balancing services) to customers who are taking demand from the national electricity transmission system the licensee shall set charges in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) plus a unit amount (to be added to all such charges on a non-discriminatory and non-locational basis) such that the net effect of this condition on total sums charged for and recovered by the licensee in respect of the period in which this condition is in effect is zero. The licensee shall ensure that the net sums recovered for any given year are as far as practicable zero.
3. The licensee shall publish sufficient information in a timely manner such that all parties whose use of system charges are or may be adjusted in accordance with this condition are able to make a reasonable estimate of how use of system charges have been affected by the provision contained within this condition. To the extent that net sums recovered for any given year might not be equal to zero, the licensee shall also publish sufficient information to enable affected parties to make a reasonable estimate of how any over or under-recovery in respect of that year made pursuant to this condition will affect adjustments to charges for the following year.
4. The Authority shall be entitled to issue a direction pursuant to this condition at any time stating that, with effect from 1 April immediately following the issuing by the Authority of such a direction, the designated sum shall be equal to zero.
5. This condition shall have effect for the Licensee's charges for the period ending on 31 March 2014~~3~~.
- ~~6. The Licensee shall use its best endeavours to develop and implement use of system charges for eligible generators under the use of system charging methodology, approved by the Authority, by 1 April 2011.~~
- ~~7.6.~~ For the purposes of this condition:

“eligible generator”

means a generating station which:

- (a) is liable for generation transmission network use of system charges (or its

equivalent) under the use of system charging methodology approved by the Authority in accordance with standard condition C4 (Charges for use of system); and

(b) is connected to the national electricity transmission system at a voltage of 132 kilovolts; and

(c) would not, on the basis of its maximum generating capacity, be liable for generation transmission network use of system charges (or its equivalent) if it were connected to the distribution system of a licensed distributor rather than to the national electricity transmission system.

“designated sum”

means such sum as shall be directed by the Authority as soon as practicable after the determination of an approved use of system charging methodology in accordance with standard condition C4 (Charges for use of system).