



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

Transmission licensees, potential offshore transmission licensees, generators, suppliers, consumer groups and any other interested parties.

Date: 14 November 2011

Dear Colleague

National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS): Housekeeping Modifications (GSR002 as amended by GSR002-1)

Summary

This letter sets out the Authority's decision to approve the proposal GSR002, as amended by GSR002-1 (hereafter referred to in this letter as GSR002-1), to modify the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS or SQSS).

The NETS SQSS sets out the criteria and methodologies that transmission licensees shall use in the planning and operation of the transmission system to ensure the security and service quality of the network.

The SQSS Review Group (the 'Review Group') is responsible for recommending changes to the SQSS. The Review Group proposed GSR002 which would make minor modifications to the SQSS such that it is kept up to date and would copyright the SQSS. Subsequently the Review Group submitted a revised proposal (GSR002-1) which removed the copyright element of the original proposal and added a minor modification to clarify that the SQSS is only intended to be applied to the national transmission system of GB.

The Authority has decided to accept the proposed changes in GSR002-1. In order to implement this change we will issue a licence modification notice ("section 11A notice") in the coming weeks.

The changes to the NETS SQSS proposed by the Review Group

The GSR002 proposal¹ was submitted to the Authority on 1 April 2011 for a decision. On 4 November 2011 a revised proposal GSR002-1² was submitted, replacing the original proposal by removing the element which introduced a copyright to the SQSS.

The changes proposed in GSR002-1 are of a housekeeping nature and can be split into four broad categories:

- changes relating to a company name change

¹ <http://www.nationalgrid.com/NR/rdonlyres/2D2A91EA-01DC-42FB-94CE-E076045D8795/49837/FinalAmendmentReport.pdf>

² <http://www.nationalgrid.com/NR/rdonlyres/939EED4F-42D7-47AA-A87D-C482FC0D783A/49924/CopyrightamendmentNov11.pdf>

- a change to clarify the geographical applicability of the SQSS
- definitions of large, medium and small power stations, and
- other changes to definitions.

A summary of the changes covered by GSR002-1 can be found in Annex 1 of this letter.

The proposals are supported by the Review Group which consists of National Grid Electricity Transmission plc (NGET), SP Transmission Ltd (SPTL) and Scottish Hydro Electric Transmission Ltd (SHETL).

The Authority's decision

The Authority has considered the issues raised by the modification, taking into account the views and arguments put forward in the Review Group's consultation. The Authority has decided to approve the changes proposed by GSR002-1.

Assessment of the proposals against the relevant principals of the Review Group

In this section we summarise our assessment of the proposals under GSR002-1 against the principals of the SQSS Review Group.

1. *Development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission.*

It is our assessment that GSR002-1 would have minimal impact but could aid in the development of an efficient, economical and coordinated system by ensuring the SQSS remains clear and consistent.

2. *Ensure an appropriate level of security and quality of supply and safe operation of the NETS³ Transmission System.*

It is our assessment that GSR002-1 is unlikely to impact on competition in the generation and supply of electricity.

3. *Facilitating effective competition in the generation and supply of electricity.*

It is our assessment that GSR002-1 is unlikely to impact on competition in the generation and supply of electricity.

Assessment against the Authority's statutory objectives and duties

For the reasons outlined in the previous section the Authority considers that the proposals set out in GSR002-1 would better facilitate the Authority's principal objective and statutory duties⁴.

Ofgem's principal objective is to protect the interests of existing and future consumers, including their interests in the security of energy supply and in reduced emissions.

The Authority is generally required to carry out its functions in the manner it considers is best calculated to further the principal objective, wherever appropriate by promoting effective competition between persons engaged in the following, or in connected commercial activities:

³ The SQSS governance (available on National Grid website) refers to the GB Transmission System but the SQSS has since been updated to reflect the offshore transmission system. The NETS is made up of the onshore transmission system (previously referred to as the GB Transmission system) and the offshore transmission system.

⁴ This section contains a summary of our principal objective and statutory duties, which are set out in Section 3A of the Electricity Act 1989 and section 4AA of the Gas Act 1986.

- the shipping, transportation or supply of gas conveyed through pipes
- the generation, transmission, distribution or supply of electricity
- the provision or use of electricity interconnectors.

In protecting the interests of consumers we must have regard to the need to ensure that all reasonable demands for gas and electricity are met, the need for licence holders to finance their licensed activities and the need to contribute to the achievement of sustainable development.

Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- promote efficiency and economy on the part of those licensed⁵ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems
- protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity
- secure a diverse and viable long-term energy supply.

The Authority is required in carrying out its functions to have regard to the effect on the environment, to the principles governing regulatory activities and to the interests of vulnerable individuals.

It is the Authority's view based on the assessment set out above that the GSR002-1 proposal better facilitates these functions by way of improved transparency.

Implementation and future work

This letter sets out the Authority's decision to approve the changes to the NETS SQSS proposed in GSR002-1. In order for these changes to take effect the Transmission Licences will need to be modified such that they refer to the new version of the NETS SQSS. Therefore, the next step is a statutory licence change consultation which will be issued in the coming weeks. Any queries regarding the content of this letter should be addressed to Sheona Mackenzie (sheona.mackenzie@ofgem.gov.uk , telephone: 0141 331 6019) in the first instance.

Yours faithfully

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⁵ Or persons authorised by exemptions to carry on any activity.

Annex 1: Summary of the proposals and our assessment

The different elements of the GSR002-1 proposals can be split into four categories:

- changes relating to a company name change
- a change to clarify the geographical applicability of the SQSS
- definitions of large, medium and small power stations
- other changes to definitions.

Name change

1.2. In 2005 National Grid Company plc (NGC) changed its name to National Grid Electricity Transmission plc (NGET). As yet no revisions have been made to the SQSS to reflect this change. The GSR002-1 proposals would change the defined term 'NGC' to 'NGET' and replace references as such throughout the standard.

Geographical applicability

1.3. In their considerations which led to the removal of the copyright element of the proposal, the review group felt that one of the benefits of the copyright was that it provided clarity regarding the applicability of the SQSS, ie that it is only applicable within Great Britain. Therefore in removing the copyright proposal the review group proposed a minor clarification in paragraph 1.1 of the SQSS so that it reads (additional text is underlined):

"..... this document sets out a coordinated set of criteria and methodologies that transmission licensees shall use in the planning and operation of the national electricity transmission system of Great Britain."

Definitions of large, medium and small power stations

1.4. GSR002-1 proposes to align the definitions of large, medium and small power stations in the SQSS with those used in the grid code. The existing version of the SQSS does not make explicit reference in these defined terms to whether the power stations are directly connected or embedded within a distribution system – it is proposed to make this explicit. There are also some changes proposed to the size of power stations in each category in SPTL and SHETL areas to bring the NETS SQSS in line with the Grid Code. These are set out in Table 1.

Table 1: Proposed changes in definitions of small, medium and large power stations

Proposed definition (existing definition is given in brackets)	Small Power Station	Medium Power Station	Large Power Station
NGET transmission system	< 50 MW (<50MW)	>50, <100 (>50, <100)	> 100MW (>100MW)
SPTL transmission system	< 30 MW (<5MW)	n/a (>5 MW, <30MW)	> 30 MW (> 30 MW)
SHETL transmission system	< 10 MW (<5 MW)	n/a (<5 MW)	> 10 MW (>5 MW)
Offshore	< 10MW (<10 MW)	n/a (n/a)	> 10 MW (> 10 MW)

1.5. This would bring the SQSS in line with the Grid Code (and the definitions used by NGET in the Seven Year Statement) and would essentially mean:

- no change for NGET or Offshore transmission
- in the SPT transmission system stations currently described as 'medium' would be reclassified as 'small'
- in the SHETL transmission system power stations between 5 and 10MW would be reclassified as 'small' rather than 'large'.

1.6 In order to ensure consistency with the Grid Code and to avoid any ambiguity the terms 'England and Wales area', 'SPT area' and 'SHETL area' will be replaced by 'NGET's transmission system', 'SPT's transmission system' and 'SHETL's transmission system respectively'.

Other changes to definitions

1.6. The proposals include the addition of two new defined terms, the modification of four defined terms and two changes relating to terms which are defined but not currently used. These are summarised in table 2.

Table 2: Defined terms

Defined Term		Proposal	Reason for change
New	Transmission system	Will have the same meaning as in the defined term 'licensee's transmission system' in the relevant Transmission licence.	The term is introduced in the definition of large, medium and small power stations.
Change	ACS Peak Demand	Addition of the word 'unrestricted' such that the term becomes "the estimated <u>unrestricted</u> winter peak demand (MW and MVar) on the national electricity transmission system".	Improved clarity – confirming that in this definition, demand is not adjusted to take into account demand management etc.
Use	Adverse conditions	Replace the term 'conditions are adverse' in paragraph 5.5.1 with the defined term 'adverse conditions'	The term is not currently used – thought to be an oversight during the drafting.
Delete	Cyclic rating	It is proposed to delete this term as it is no longer used.	This term is not used in the current version of the SQSS but remains a defined term.
Change	Generator	"a person who generates electricity under licence or exemption under the Electricity Act 1989 <u>as amended by the Utilities Act 2000 and the Energy Act 2004 as a generator in Great Britain or Offshore</u> "	To clarify and ensure alignment with the Grid Code it is proposed that the underlined text is added.
Change	Registered Capacity	Additional text so that the definition matches that in the grid code: "d) In the case of a DC converter at a DC converter station, the normal full load amount of active power transferable from a DC converter at the GEP (or in the case of an embedded DC converter station at the user system entry point), as declared by the DC converter station owner, expressed in whole MW, or in MW to one decimal place. e) In the case of a DC converter station, the maximum amount of active power transferable from a DC converter station at the GEP (or in the case of an embedded DC converter station at the user system entry point), as declared by the DC converter station owner, expressed in whole MW, or in MW to one decimal place."	

New	Onshore power park module	"A collection of non-synchronous generating units (registered as a power park module under the Planning Code in the Grid Code) that are powered by an intermittent power source, joined together by a system with a single point of electrical connection to the onshore transmission system (or user system if embedded). The connection to the onshore transmission system (or user system if embedded) may include a DC converter."	The existing SQSS defines the offshore power park module but not the onshore equivalent although the term is used.
Change	Onshore power station	Addition of the phrase 'onshore power park module' in the definition.	Consistency.