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Dear Tom

**RIIO-T1: Draft Licence Conditions – First Informal Licence Drafting Consultation (105/12)**

National Grid owns and operates the high voltage electricity transmission system in England and Wales and as National Electricity Transmission System Operator (NETSO), operates the Scottish high voltage transmission system. National Grid also owns and operates the gas transmission system throughout Great Britain. This response is made on behalf of National Grid in its role as Transmission owner/operator as outlined above.

National Grid's Transmission businesses (National Grid) welcome the opportunity to comment on this consultation. Our responses to the specific consultation document questions can be found in Appendix 1 (which also contains a table of comments on policy and specific licence conditions for NGGT). As requested by Ofgem, we are also providing detailed comments on the wording of the draft licence conditions, which we include as Appendix 2. Additionally we provide comments on the Financial Handbooks in Appendix 3.

The remainder of this letter provides an overview of the key issues regarding licence conditions and the licence drafting process.

**Key issues**

A specific concern is the removal of the general Income Adjusting Event provision from the Gas Transportation Licence and the replacement with a specified 'uncertain cost' term. As communicated in previous meetings with Ofgem, with the extension of the price control period to eight years, there is an increased likelihood of events occurring within that period that could affect costs or benefits, that we are unable to predict now. The general Income Adjusting Event term provides a method to address this. Of more concern is the fact that the current Income Adjusting Event terms allow for third parties to question whether there should be an adjustment to our allowed revenue; this is a facility that has been utilised within the TPCR4 period. This has not been consulted on in Ofgem's previous strategy documents and the effect on third parties is not specifically drawn out in Ofgem's Initial Proposals. The general Income Adjusting Event provision should therefore be maintained.

We also do not agree with the implementation of the data assurance provisions as a 'trial' alongside the existing data requirements in the licence. This creates an unnecessary burden and potentially

creates a double jeopardy situation. We believe that it would be more appropriate to retain the existing requirements whilst working up the data assurance requirements in a working group prior to implementing in the licence.

### **Licence drafting process**

We note that in paragraph 1.35 of the Licence Drafting Consultation, Ofgem has stated that the purpose of the consultation is to seek views on whether the licence drafting reflects the policy in the Initial Proposals, however, there are a number of areas within the licence drafting where the policy position has not been clearly stated within Initial Proposals. By necessity, therefore, some of our comments included in the accompanying documents deal with policy issues.

We note that, particularly for the Gas Transportation Licence, there are a number of licence conditions that are not included within this consultation. We are also yet to see a consultation on the majority of the associated documents. Whilst we recognise that the licence drafting process for RIIO-T1 is much further advanced than it has been at this stage for previous controls, we note that we are unable to comment fully on the drafting without a full set of conditions and associated documents. It is therefore imperative that a full set of documents are included in the next licence consultation in October to allow a full opportunity for the provision and consideration of comments, prior to the statutory consultation being undertaken in December.

Finally, it has become apparent during discussions with Ofgem that a number of policy points that were not clear in the Initial Proposals will be clarified in the next information licence drafting consultation in October. We welcome this clarification being made, and consulted upon, but would note that these policy points need to be clearly drawn out in order to allow a full and proper consultation process to take place.

### **In conclusion**

As detailed above, this letter is by necessity a high level overview of some of the key licence-related issues and more detail can be found in the relevant Appendices. We look forward to working with Ofgem over the coming weeks to ensure that the licence drafting is appropriately developed to deliver the RIIO-T1 settlement.

Yours sincerely



**Pauline McCracken**

By email

Cc Grant McEachran, Ofgem