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Dear Lesley

**Consultation on further proposed licence changes following the implementation of the Third Package and other miscellaneous changes.**

Thank you for the opportunity to respond to Ofgem's proposed modifications to licence conditions, as detailed in your letter dated 20 November 2012. This response is provided on behalf of National Grid Electricity Transmission plc (NGET) and National Grid Gas plc (NGG). NGET owns the electricity transmission system in England and Wales and is the National Electricity Transmission System Operator. It is responsible for administering the electricity Connection and Use of System Code (CUSC), the Grid Code and the System Operator – Transmission Owner Code (STC). NGG owns and operates the Gas Transmission System and also owns and operates four of the gas Distribution Networks. In association with the three other gas Distribution Network Operators, NGG also jointly provides for the administration of the Uniform Network Code (UNC) Governance arrangements through the Joint Office of Gas Transporters.

We have addressed the proposed changes in your consultation in Appendix 1 to our letter. We have made comments in relation to the Electricity Transmission Licence and the Gas Transporter Licence and have responded in relation to the industry codes that we are involved with. We believe that the majority of the changes proposed are appropriate and meet the requirements of the Third Package. However, we believe that there is some confusion with some of the drafting and have suggested some proposed wording which we believe will provide clarity. This proposed wording is contained within Appendix 2.

Once the licence changes have been implemented, NGET will raise the appropriate CUSC, STC and BSC changes. This will be to:

- a) Allow the Authority to raise CUSC, STC and BSC Modification Proposals to comply with European legislation.
- b) Apply the caveats in the licence to modifications which are raised by the licensee following the Authority direction to raise a European related CUSC / STC / BSC Modification Proposal.
- c) Apply the caveats in the licence to modifications which are raised by the Authority in relation to European regulation.

In addition NGET will update the STC Proposal form and the CUSC Charging Methodology Modification Proposal form to add the new European relevant Objective.

Continued ...

If you wish to discuss this further, or have any queries regarding this response, please contact me or Emma Clark on 01926 655223.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Calviou', with a stylized, cursive script.

**Mike Calviou**  
**Director of Transmission Network Service**

## Appendix 1 – Comments on proposed changes to licence conditions.

Licence Condition	Purpose of the current condition	Overview of proposed change	NGET comments
Electricity Transmission Licence Standard Condition B12 (3)	Sets out the System Operator – Transmission Owner Code (STC) code objectives against which STC amendments should be assessed.	The addition of a code objective requiring STC amendments to be assessed for compliance with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency. Aligns Standard Condition B12 with the equivalent conditions for other industry codes, for example Standard Condition C3 (3) (e) for the Balancing and Settlement Code (BSC).	We agree with this addition. The STC Proposal Form will be updated accordingly.
Electricity Transmission Licence Standard Condition B12 (6)(a) (c), (d) and (e)	Sets out the procedures for making STC amendments.	<p>The addition of the Authority to those who may raise STC amendment proposals (but only in relation to STC amendment proposals which the Authority reasonably considers are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency).</p> <p>The addition of the licensee to those who may raise STC amendment proposals where directed to do so by the Authority and the amendment is necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency.</p> <p>The addition of an amendment requiring the licensee and the Committee to comply with any direction/s issued by the Authority setting and or amending a timetable (in relation to an amendment proposal which the Authority reasonably considers is necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency).</p> <p>The addition of an amendment requiring amendment proposals which the Authority reasonably considers are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency to be accepted into the STC amendment procedures by the Committee; where they are raised by the licensee, not to be withdrawn without the Authority's prior</p>	We agree with this change. The caveat in 6 (a) counter acts the issue which occurs in CUSC. (See below).

		<p>consent; and to proceed in accordance with any timetable(s) directed by the Authority.</p> <p>Aligns Standard Condition B12 with the equivalent conditions for the other industry codes, for example, Standard Condition C3 (4) (a), (aa), (ad) and (ae) for the BSC.</p>	
Electricity Transmission Licence Standard Condition B18 (7)	Refers to modifications of licence conditions pursuant to Section 11 of the Electricity Act 1989.	The Removal of any references to section 11 and section 12 of the Electricity Act 1989 as they have both been repealed by the Regulations and instead substitute with section 11A to section 11F.	We agree with this change, it provides updated information.
Electricity Transmission Licence Standard Condition C5 (2), (2A), (4), (6) and (7)	Sets out the modifications process for use of system charging methodology changes that applied during a transitional phase prior to the inclusion of the use of system charging methodology in the Connection and Use of System Code (CUSC).	<p>The removal of a cross-reference to paragraph 2A in paragraph 2 and the replacement of existing paragraphs 2A, 4 (which cross-refers to paragraph 3 which was removed as part of the Code Governance Review (CGR) Final Proposals), and the removal of paragraphs 4, 6 and 7 with the words 'Not used'.</p> <p>Housekeeping change to remove defunct provisions in this licence condition.</p> <p>Changes to the use of system charging methodology follow the process set out in the CUSC and Standard Condition C10 of the electricity transmission licence.</p>	We are satisfied that this gives updated information and provides clarity.
Electricity Transmission Licence Standard Condition C5 (5)	Sets out the relevant objectives of the transmission use of system charging methodology.	The addition of an EU related relevant objective against which changes to the use of system charging methodology will be assessed.	We agree with this addition as it aligns with the new Objective bought in for the CUSC. National Grid as Code Administrator will update the CUSC Proposal Form for the Charging Methodologies accordingly.
Electricity Transmission Licence Standard Condition C6	Sets out the requirement on the licensee to determine a connection charging methodology, the modifications process for connection charging methodology	<p>Renumbering of all paragraphs in the licence condition.</p> <p>The removal of a cross-reference to paragraphs 15A and 15B in existing paragraphs 2(b) and 4 and the replacement of existing paragraphs 15A and 15B with the words 'Not used'.</p> <p>Housekeeping change to remove defunct provisions in this licence condition.</p> <p>Changes to the connection charging methodology follow the process set out in the CUSC and Standard Condition C10 of</p>	We agree with the proposed changes. The reference to the objectives in C5 allows for the addition of the new European related objective in C6.

	that applied during a transitional phase prior to the inclusion of the connection charging methodology in the CUSC.	the electricity transmission licence.	
Electricity Transmission Licence Standard Condition C10 (6) (ae)	Sets out the modification procedures for the CUSC.	Clarifies that only those modification proposals which the Authority reasonably considers are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency cannot be withdrawn without the Authority's prior consent.	We believe that whilst the proposed wording is effective in the way that it restricts the conditions to modifications relating to European regulation, it is unclear and repetitive and therefore may cause some confusion for the reader. The references referred to in this paragraph (6 (aa) and 6 (af) already deal with the Authority's ability to raise European related modifications, and therefore is not necessary in 6 (ae). We feel that there may also be some confusion with the reference to 6 (aa) where it currently sits in the drafting relating to the ability to withdraw a modification made pursuant to an SCR. Please see our proposed wording in Appendix 2 below which we believe will address this issue and make the intention clearer.
Electricity Transmission Licence Standard Condition E21 (7)	Refers to modifications of licence conditions pursuant to Section 11 of the Electricity Act 1989.	The removal of any references to section 11 and section 12 of the Electricity Act 1989 as these have both been repealed by the Regulations and have instead been substituted with section 11A to section 11F of the Act.	We agreed with the proposed changes. This provides updated information.
Gas Transporter Licence Standard Licence Condition 9 (7) (j)	Sets out the procedures for the modification of the Uniform Network Code (UNC) and/or of any network	Substitutes reference to paragraphs 8(a)(i) and 9(a)(i) with 8(a) and 9(a). Clarifies that only those modification proposals which the Authority considers are reasonably necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission	We agree with the proposed alteration of references and the application of the new text to mandate that modifications that are necessary to implement relevant legally binding decisions of the European Commission and /

	code prepared by or on behalf of each relevant gas transporter.	and/or the Agency for the Cooperation of Energy Regulators cannot be withdrawn without the Authority's prior consent.	or the Agency cannot be withdrawn without the Authority's prior consent.
Gas Transporter Licence Standard Special Licence Condition A11(9)(i)	Sets out the procedures for the modification of the UNC and/or of any network code prepared by or on behalf of each relevant gas transporter.	Substitutes reference to paragraphs 9(j) and 10(a)(i) or (v), 10(ab) and 11(a) with 10(a) 10(ab) and 11(a). Clarifies that only those modification proposals which the Authority considers are reasonably necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators cannot be withdrawn without the Authority's prior consent.	Agree, as above. We note, however, that the proposal, on page 7 (and not the draft licence changes in Appendix 2), refers to implementation of Electricity Regulation in relation to the Gas Transporter Licence. This is clearly in error and we anticipate that the final proposals will be corrected accordingly.

## Appendix 2. NGET suggested wording for C10 (6) (ae)

Please note that additions are in blue text and the deletions are in red strikethrough.

### Standard Licence Condition C10: Connection and Use of System Code (CUSC)

Paragraph 6:

- (ae) for modification proposals made by the Authority **in accordance with paragraph 6(a)** or the licensee in accordance with paragraphs ~~6(a)~~ 6(aa) and 6(af)(i) respectively, ~~which the Authority reasonably considers are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency;~~
- (i) to be accepted into the CUSC modification procedures by the panel;
  - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
  - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 6(af);