

To:

Generators, Transmission
Licensees, Suppliers, and other
interested parties

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Consultation on transmission owners' proposed Network Access Policies setting out what the system operator can expect from them

Summary and consultation details

This letter accompanies and consults on draft Network Access Policies (NAPs) developed under Special Condition 2J (Network Access Policy) of the electricity transmission licences. These have been developed by the transmission owners (TOs). These documents established through RIIO-T1, set out what the GB system operator (SO) can expect from the TOs in cooperation with them when the TO is making long term and short term plans that will affect the availability of parts of their network and on the management of unplanned network outages.

The proposed NAPs can be found on our website at the following links:

<http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/NAP1.pdf>

<http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/NAP2.pdf>.

The relevant Special Licence Condition 2J (Network Access Policy) can be read at <http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/NGSpCmods.pdf> (National Grid Electricity Transmission Plc) and/or <http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/SHESpCmods.pdf> (SP Transmission Ltd/SHE Transmission Plc).

We welcome consultees' views on the proposed NAPs by 19 July 2013. Please send these to Iain.Morgan@ofgem.gov.uk.

Unless marked as confidential, we plan to publish all responses on our website. We will consider all responses before taking a final decision on whether to approve these NAP documents. We may approve them with conditions or approve them but suggest issues for further consideration to inform the first update of the policies next year.

Introduction and purpose

Effective coordination, cooperation and communication between onshore transmission owners (TOs) and the GB system operator (SO) is fundamental to the energy system delivering for its customers including providing long term value for money.

Specifically TOs and the SO can work together to minimise (subject to the safe and reliable delivery of the network) overall industry costs by minimising the sum of costs resulting from network constraints (SO) and the TO's own cost associated with working on the network. To illustrate with an example, planned TO work on its network might combine with other impacts to increase constraint costs significantly. The TO does not have access to this information but where the SO gives sufficient notice and uses the more effective communication (described in the NAP) as a basis for considering changes to the planned TO work, this might lead to joint decision making that minimises the overall costs, ultimately to the end consumer. This letter consults on each TO's proposed first NAP. The NAP should contribute to effective coordination, cooperation and communication. It includes what can be expected in terms of TO long-term planning, managing changes to that plan and how the TO will work with the SO in managing unplanned network outages.

The recent RIIO-T1 price control set comprehensive outputs that we would hold the TOs accountable to deliver from 1 April 2013 to 31 March 2021. The NAP forms part of this sitting alongside the TOs' other outputs eg delivering a safe and reliable network. While the RIIO-T1 arrangements came into force on 1 April 2013, the licence changes that implemented this required the TOs to submit a NAP for approval within 30 days of that point.

The two Scottish TOs (SP Transmission Ltd and Scottish Hydro Electric Transmission Plc) have agreed to use the same NAP. National Grid Electricity Transmission plc's (NGET) NAP is also the subject of this consultation. Special Condition 2J (Network Access Policy) (SpC 2J) of their respective electricity transmission licences require operation consistent with a NAP. SpC 2J sets out arrangements relating to the NAP. It also sets out a process requiring us to consult on the first NAPs before their approval. While the NAP is focused on the SO:TO relationship it is useful for others to review both because of any issue it raises for them and to challenge the degree of clarity and degree of ambition within the NAPs.

Our assessment and what we are looking for from this consultation

Our assessment of the NAPs begins with our view of the joint meetings last year to develop them. These were very positive and constructive in tone. They were also useful in identifying new approaches for joint work and information sharing already now enhancing the SO:TO joint work in practice. We think the documents proposed to us represent a good first step at documenting the key principles. We also think that there are areas to develop further. While some of these can be developed to inform future updates of the NAP (Paragraph 2J.8 allows for review every two years but more frequent updates are considered likely at least in the next few years as the companies learn from experience), others deserve consideration now. We think that it would be particularly helpful to be clearer about the basis for decision making. This would make full use of the details of the joint work already present in the NAP. However, we would prefer some detail on how the costs and benefits of different solutions are appraised jointly and how these can lead to minimising the sum of TO costs and SO constraint costs. The Scottish TOs' NAP represents significant input not just from the Scottish TOs but also by NGET as SO. This has been the focus of much of the RIIO-T1 work. In the light of this there has been less time for NGET to develop its own NAP. While recognising the difference in context, we think it could go further in making its NAP transparent about its internal approach and in identifying best practice that might inform the Scottish TO NAP.

We ask consultees to consider the NAPs and in particular consider whether they cover the required contents. In particular:

- how the TO will coordinate with the SO and other TOs in agreeing planned network outage arrangements with consideration of the long-term outcomes for consumers and network users
- how the TO will manage and respond to unplanned outages

- details of circumstances where the commitments above would need an alternative solution and
- a description of the communication/coordination strategy for the interface with the SO.

We also welcome consultee views on any other aspect of the NAPs. We are interested in views on where it can be made clearer (to aid accountability), more comprehensive, ideas for how it might be developed further in future and what might be a prerequisite to such future development.

Specific consultation questions

1. Do consultees think that these NAPs provide enough on how the relevant TO(s) coordinate with the SO and other TOs in agreeing planned network outage arrangements including consideration of the long-term outcomes for consumers and network users?
2. Is the NAP sufficiently clear as to how the TO(s) will manage and respond to unplanned outages?
3. Is the communication/coordination strategy clear? In addition is it clear how the strategy can be applied to generate benefits for consumers?

Next steps

We recognise that the incentives we apply to the SO are relevant to some of the possible developments that might be reflected in the NAP, particularly possible financial incentives on the TOs to provide alternative more expensive solutions. We have recently published our SO incentives Final Proposals for 2013-2015.¹ This provides further information that it is useful to consider in the context of the first NAPs and further development.

The NAP is not a solution to every problem and is focused on making the TO more accountable to the SO building on the SO:TO Code requirements. It therefore should be judged against this intention rather than against wider issues.

Following this consultation we will consider responses and decide on whether to approve the NAPs. We intend to publish a short letter setting out our reasons at that stage.

If you wish to discuss this letter, please call Iain Morgan (Senior Regulatory Economist, Network Regulation Policy) at (020) 7901 7030 in the first instance.

Kersti Berge, Partner: Transmission

¹ Ofgem, Electricity System Operator Incentives, Final Proposals (<http://www.ofgem.gov.uk/Markets/WhlMkts/EffSystemOps/SystOpIncent/Documents1/Electricity%20System%20Operator%20Incentives%20final%20proposals%20on%20a%20scheme%20for%202013.pdf>)