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Dear Angelita

Consultation on changes to National Grid Electricity Transmission plc's electricity transmission licence to publish the Electricity Ten Year Statement (ETYS)

The ETYS document is produced and published as part of our role as the System Operator (SO) working in conjunction with the Transmission Owners (TO). The document sets out future user requirements and how the TOs expect to develop their network over the coming 10+10 years to meet these requirements. The ETYS also provides an overview of future operational challenges.

The ETYS was developed with stakeholders to harmonise a number of our previous publications, including the Seven Year Statement (SYS) and Offshore Development Information Statement (ODIS). The objective was to provide stakeholders access to all relevant and timely information in a single document, which captures both the onshore, offshore and interconnected networks.

ETYS is intrinsically linked to the TO capital planning process for wider transmission infrastructure, which is reported in the document. In the case of NGET TO, the Network Development Policy (NDP) outputs, Special Condition 6J, are reported in the ETYS. The ETYS form and content is designed to show our customers what developments associated with the National Electricity Transmission System (NETS) are being undertaken and where there may be opportunity to connect or offer services.

In April 2013 we consulted with industry on the development of the ETYS publication. We received significant amounts of feedback, mainly through quality face to face meetings at the electricity customer seminars and also through our written consultation. ETYS 2013 was our second production of the document and reflected stakeholder input.

As part of this process we produce a range of scenarios - Future Energy Scenarios (FES) to help us plan for the uncertainty regarding the future of the UK energy sector. The scenarios input to network planning and are analysed utilising the NETS Security Quality Supply Standards (SQSS) criterion to determine the future requirements. Based on these requirements options are selected to solve the identified system boundary constraints. In England and Wales these scenarios are key inputs into the NDP, which is also published in the ETYS.

The proposed licence conditions related directly to the ETYS will bring clarity to stakeholders. However, we do have concerns with regard to the additional obligations on the production of scenarios in terms of our ability to undertake adequate stakeholder engagement and the timescales to be able to deliver an annual product and consequential significant impact of other stakeholders and processes.

Scenarios

The proposal to submit our scenarios to Ofgem, and Ofgem having the ability¹, to request revisions to the scenarios and undertake an additional period of stakeholder engagement, that incorporates a formal 56 day scenario consultation period would have an impact on our current annual process by which the FES are consulted upon and produced. If this proposal is enacted then we would have to adopt one of two approaches:

- The FES/NDP/ETYS/GTYS process would have to be extended such that it would effectively become a biannual one as it could not be run effectively within a 12 month timeframe. This would impact our stakeholders as they would not be provided timely information in determining future opportunities and would also reduce their ability to provide feedback on our development proposals.
- Alternatively, to maintain the process as an annual one, we would have to start engagement sooner. However, starting the process sooner would have a negative impact upon the potential quality of our scenarios and stakeholders would not have had an opportunity to review both previous FES & ETYS.

For example, data from the last winter is essential for developing the scenarios; hence certain activities cannot be commenced before the end of March without a significant loss of value. The interaction between gas, electricity, supply and demand, the relative component parts, is an inherent feature of how we produce our energy scenarios to ensure they are robust and self consistent. Essentially some of the key data that we base the scenarios on would be out of date if we had to move the start date to earlier in the year.

In addition, this would also impact upon our ability to engage with stakeholders. Consequently, we consider that this would have a negative impact for all. Finally, from a practical point of view, with an additional consultation period may require greater flexibility in our licence to allow us to delay production of ETYS until this additional consultation had taken place.

Further to the ETYS, our FES feed into a wide range of work including:

- the UKFES itself,
- GTYS,
- ETYS,
- Winter Consultation Report,
- Winter Outlook Report,
- Capacity Assessment Report (for the Authority), Electricity Capacity Report (for DECC),
- ENTSO-E Visions and TYNDP
- ENTSO-G TYNDP,
- and other system analysis and security of supply work National Grid undertake

The annual process of production of our FES the subsequent network modelling and publication of the ETYS is shown at a high level in Appendix 3. It can be seen that if Ofgem were to request further development of the scenarios after 1 June, not only would this delay the release of the Future Energy Scenarios, network modelling and the publication of the ETYS and GTYS, it would also have significant implications for the publication of Ofgem's Capacity Assessment Report and DECC's Electricity Capacity Report, as well as potentially impacting on data submissions to the ENTSO-E and ENTSO-G Ten Year Network Development Plans (TYNDPs).

These publications would either be delayed, or alternatively, they would be produced using different analysis. This is far from ideal, and could cause considerable confusion within the UK's energy market.

¹ within 42 days

Alternative Approach

Recognising the Ofgem desire to have greater engagement, we consider a more appropriate proposal would be for enhanced engagement throughout the process. By maintaining continuous engagement throughout the process (as we do with all stakeholders) this would seek to provide the necessary assurance, that we are developing a reasonable suite of scenarios that reflect uncertainties and be able to respond to any concerns in a timely manner.

We welcome and hope for Ofgem's ongoing involvement in our stakeholder engagement activities such as the stakeholder workshops and annual conference, which are a key element of our assurance process for developing a plausible, credible range of energy scenarios.

In addition, we propose a meeting between ourselves and Ofgem, probably in November, after our Stakeholder Workshops and before the commencement of detailed scenario development at which we can discuss at a high level our latest stakeholder feedback, the development of our new set of axioms and our initial views on our new scenario envelope. We also propose building upon the FES workshop we had with Ofgem on 18 October 2013, where we presented and discussed our FES process, stakeholder engagement and modelling methodologies in considerable detail.

This coupled with further development of the Stakeholder Feedback document to incorporate greater stakeholder mapping and stakeholder feedback granularity should provide Ofgem with a more positive route for understanding and commenting on our scenario development and stakeholder engagement and listening to our stakeholders directly. We consider such an approach would enable the FES/NDP/ETYS process to remain an annual one and is shown in the timeline in Appendix 3 as "enhanced engagement",

We believe our proposals meet the principles of the RIIO framework which reward excellent stakeholder engagement and we are committed to not only improving our scenarios but also how we engage. We believe that our stakeholder engagement process is broad, robust and transparent, but we are focused on continuous improvement, striving to optimise our stakeholder engagement so that our stakeholders can feed into the process in the most appropriate way for them, and have the opportunity to understand, discuss and shape our scenarios at the appropriate level. We measure our stakeholder engagement performance via data gathered from our stakeholder workshops and via questionnaires, for example after our annual FES conference. We also measure whether our stakeholders believe we are developing a sufficiently wide enough range of scenarios and are happy to discuss this processes in detail, if required.

In summary, we support the proposed licence requirements for the ETYS but feel that further consideration on the scenarios and some amendments to the ETYS timescales is required. In particular:

- The proposed change in timescale for submission of the scenarios from 1st March to 1st June, would impact our current process that are driven by obligations in our licence and legislation. In addition, it would impact on data and stakeholder engagement quality.
- The condition that provides for additional development of scenarios in consultation with stakeholders, post 1st June would have significant impact upon our ability to deliver the FES/NDP/ETYS/GTYS process within a 12 month timeframe.
- Finally, our scenarios feed into a wide range of other reports and activities. Any delay to the FES process could potentially disrupt the following: the FES itself, GTYS, ETYS, Winter Consultation Report, Winter Outlook Report, ENTSO-E and ENTSO-G TYNDPs and other system analysis and security of supply work we may be required to undertake.

We are happy to discuss our proposals and views contained within this letter further should that be helpful. For further details, please contact Gary Dolphin (gary.dolphin@nationalgrid.com) or Stewart Whyte (stewart.whyte@nationalgrid.com). Our response is not considered confidential and is provided on behalf of NGET. We are therefore happy for it to be placed on the Ofgem website.

Yours sincerely

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

[By e-mail]

Mike Calviou

Director Transmission Network Services

Appendix 1

Question 1: Do you agree that amending Standard Condition C11 (replacing the obligation to produce them SYS with one to produce the ETYS) and amending Special Condition 2F (removing the obligation to produce the ODIS) in line with the proposals above is appropriate?

We agree with the proposal of amending C11 replacing old SYS obligations with ones to produce the ETYS. Clear and transparent licence conditions will be to the benefit of the industry and our stakeholders for this important publication. It is important that some flexibility in the licence conditions to allow for innovation of the document over time to meet the changing requirements of stakeholders.

We seek clarification on the ongoing requirement for Special Condition 2F. Our assumption is that Special Condition 2F amendment is to remove much of the text relevant to the ODIS with only the part related to part E, Offshore transmission report, remaining.

Question 2: Do you think setting the reporting period to ten years is appropriate?

Yes, we feel that a detailed 10 year network development plan is sufficiently robust with some light touch into 20 years. The 10 year period lines up with other network study reporting lines of GTYS, ENTSO-E and ENTSO-G creating a consistency for our readership.

Question 3: Do you agree that the ETYS should be published annually, and that the updates should be published quarterly? Alternatively, do you consider half-yearly updates to be sufficient?

Yes, we feel that a detailed 10 year network development plan annually is sufficient. This is also linked with some TO obligations to publish development plans within the ETYS. Quarterly updates should remain focused on the change in contracted generation background within the last 3 months on the understanding that the Network Development reporting is annual.

Question 4: Do you have any comments on our proposed timings for stages in the ETYS, in particular whether 30 November is an appropriate publication date.

We believe 30 November is an appropriate publication date. A later publication date would add no value, and an earlier publication date would be difficult to achieve efficiently and detailed above. We have included in Appendix 2 some suggestions for the timing of the incremental ETYS milestones.

Question 5: Do you have any comments on the type of information provided in the ETYS?

We believe that to date it has met the needs of the industry and are committed to stakeholder engagement to further enhance its production and the quality of the information provided.

Question 6: Do you agree with our proposals on how interconnection should be covered in the ETYS?

We are supportive of the proposals surrounding interconnectors. We believe the current ETYS meets the obligations outlined but as we seek to continuously improve the ETYS this will be an area for further improvement. The obligation in our view is clear and does not impact or pre-determine any of the ITPR outcomes.

Question 7: Do you have any comments relating to the submission of the future energy scenarios to the Authority each year including the timing), and the right for the Authority to request further development of the future scenarios.

Further to our proposals stated above. We have concerns regarding the timing of the proposed additional Ofgem input into the process

- The FES/NDP/ETYS/GTYS process would be expanded to such an extent that it would be difficult to perform effectively within a 12 month timeframe.
- To maintain the process as an annual one the quality of engagement and subsequent scenario development would be impacted, requiring additional consultation and scenario development, with the knock on effect of additional delay to the publication of the ETYS.

- This requirement also has the potential to result in misalignment of a suite of legislative and regulatory obligations that National Grid is accountable for, as different versions of scenarios may be used in a given year.

Question 8: Do you have any comments about the interaction between the ETYS and the TYNDP, e.g. in their content or frequency of the publication (the TYNDP being published every two years)?

The TYNDP has quite a long time lag between submission of data by each TSO and publication. For example, the TYNDP 2014 document, which will be published in late 2014, actually required the data to be submitted (and frozen) in late autumn 2012. This is an unfortunate requirement owing to the fact that so much consequential work is based on this stable background. And owing from the fact that 41 TSO are trying to perform a single set of analysis and produce a single report. The GB National Development Plans (i.e. ETYS) can be based on much more recent data in the intervening years and even in the same year of production. As a consequence the information in will be different and we endeavour to ensure the differences are clearly understood.

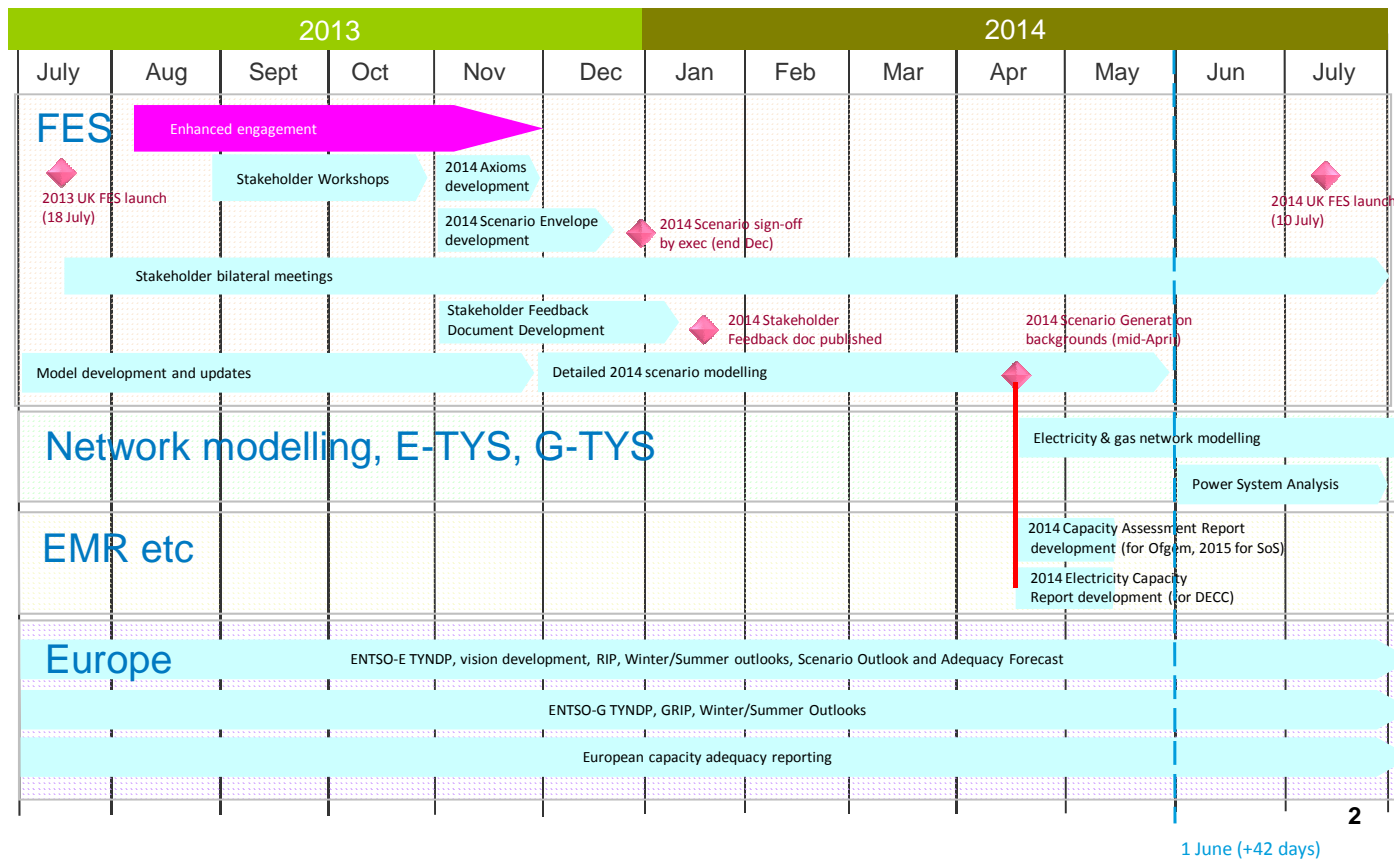
Question 9: Do you have any other general comments or suggestions on the form or the content of the ETYS?

We have no further comments at this time.

Appendix 2

Topic	SYS requirement	ODIS requirement	Ofgem Proposal for ETYS	National Grid Proposal for ETYS
Frequency	Annual	Annual	Annual	Annual
Licensee's submission deadline for changes to the form of the report (if proposed)	Authority approval required (no date given)	1 March	1 March	1 June, to reflect engagement not until March/April
Ofgem request for further development of form of the report (if proposed)	Not specified	Authority may give direction within 28 days of receipt that further development of the form is required	Authority may give direction within 28 days of receipt that further development of the form is required	Authority may give direction within 28 days of receipt that further development of the form is required
Timescale for form revision by NGET	Not specified	Set by Ofgem	Set by Ofgem	Set by Ofgem
Licensee's submission deadline for scenarios	N/A	1 June	1 June	Enhanced engagement between Ofgem and National Grid during stakeholder consultation and scenario envelope creation phase
Ofgem request for further development of scenarios	N/A	Within 28 days of receipt	Within 42 days of receipt	Enhanced engagement between Ofgem and National Grid during stakeholder consultation and scenario envelope creation phase
Timescale for scenario revision by NGET	N/A	Set by Ofgem	Set by Ofgem	N/A
Publication date	31 May	30 September	30 November	30 November
Within-year updates	Quarterly	N/A	Quarterly, based on changes to the contracted background	Quarterly, based on changes to the contracted background

2013/14 Scenario development and uses



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