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Date: 28 July 2014

Dear colleague

Statutory consultation on modifying the electricity transmission licence to implement the electricity ten-year statement

We¹ propose to modify the electricity transmission licence (the licence) to remove the previous obligation on National Grid Electricity Transmission plc (NGET) (the licensee) to produce the Seven Year Statement (contained in Standard Condition C11 of the licence) and the offshore development information statement (contained in Special Condition 2F of the licence).

These obligations will be replaced with a requirement to produce a new, combined, statement of network development information known as the electricity ten-year statement (ETYS). This is set out in the modified Standard Condition C11 of the licence.

NGET's licence is granted or treated as granted under 6(1)(b) of the Electricity Act 1989 (the Act). This consultation follows our informal consultation with NGET and stakeholders on 12 May 2014² (the May consultation), to which we received two responses. These are on our website³. One was from NGET, saying that it was content with most of the proposed changes. The other respondent disagreed with two specific proposals. These are discussed below.

Frequency of updates to the ETYS

We propose that updates to the ETYS are published every six months. The licence condition contains a requirement for NGET to periodically revise the ETYS to ensure its continued accuracy. We had proposed in our consultation that updates should be made every three months. NGET said that in-year updates to the ETYS would be focused on contracted generation because the network development information in the ETYS is based on the Future Energy Scenarios (FES) produced by NGET every year. Information based on the

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document

² "Informal consultation on the draft licence condition to implement the Electricity Ten Year Statement in National Grid Electricity Transmission plc's electricity transmission licence":

<https://www.ofgem.gov.uk/ofgem-publications/87699/140512etysconsultation.pdf>

³ <https://www.ofgem.gov.uk/publications-and-updates/informal-consultation-draft-licence-condition-implement-electricity-ten-year-statement-national-grid-electricity-transmission-plcs-electricity-transmission-licence>

FES would therefore not change within the year. NGET said it was unlikely that there would be material changes to contracted generation over a three-month period, and highlighted that information on contracted generation is available on its website and updated weekly. NGET therefore proposed that it would be better to give updates every six months. The other respondent proposed that updates to the ETYS should be every three months, and that updates should not be limited to changes in contracted generation. We have considered this view but are not persuaded that there would be material enough changes to justify an update to the ETYS every three months.

Requirement to consult stakeholders

In our May consultation we said that we had removed the previous licence requirement for NGET to consult stakeholders on the FES for a minimum of 56 days. Instead, we said that NGET should find an appropriate form of engagement with its customers and other stakeholders. NGET agreed with this change. The other respondent disagreed that this minimum requirement should be removed. We have considered this view but are not convinced that a minimum timescale is necessary to ensure effective consultation by NGET. Factors such as the scope or method of consultation are also important. We think that focusing on the desired outcome in the licence condition⁴, rather than process, allows flexibility for the approach to be adopted to best achieve the preferred result.

Proposed new licence conditions

The licence conditions attached to this letter reflect our views as outlined above. We have also made a minor change to the numbering of Special Condition 2F. The changes since the May consultation are therefore:

- We have put the obligation on the licensee to revise the information in the ETYS every six months, instead of every quarter.
- We have reinstated the headings to sections B, C and D of Special Condition 2F and marked these sections as Not Used, and have also reinstated the original numbering.

The statutory consultation Notices accompanying this letter provide an overview of the proposed modifications to the licence.

Next steps

Responses to this consultation must be received on or before 28 August. All responses should be sent to Angelita Bradney, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or Angelita.Bradney@ofgem.gov.uk.

Yours faithfully,

Kersti Berge
Partner, Transmission

⁴ The licence states that “the consultation shall be of such a form and duration as to reasonably allow all interested parties to contribute to the preparation of the future scenarios”.