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Our Ref: ETYS-14-02

9<sup>th</sup> June 2014

Dear Angelita,

**National Grid response to Ofgem's informal consultation on the draft licence condition to implement the Electricity Ten Year Statement in National Grid Electricity Transmission plc's electricity transmission licence C11.**

This letter sets out National Grid Electricity Transmission's (NGET) response to the 2<sup>nd</sup> informal Electricity Ten Year Statement (ETYS) consultation of 12<sup>th</sup> May. This response is focused on the timetable and detail of the Future Energy Scenarios submission and the updates associated with the ETYS publication.

Future Energy Scenarios

National Grid is committed to continuously developing engagement with all our stakeholders including Ofgem. We believe the proposed revised wording will enable us to strengthen and deepen our relationship with Ofgem and provide Ofgem with the appropriate channels to ensure any feedback or concerns are addressed in a timely manner.

We agree with Ofgem's decision to remove the 56 day consultation requirement from the licence drafting and the reduction in the time for the Authority to issue a direction on the stakeholder engagement. However we continue to have concerns over the potential consequential impact of Ofgem directing National Grid to revise scenarios which had been developed following extensive stakeholder engagement, in particular on the timely delivery of the Electricity Ten Year Statement (ETYS) and potential misalignment between scenarios used within ETYS and those used in other reports, such as the Gas Ten Year Statement, the Network Development Policy and the Electricity Capacity Report.

We believe it will be important for National Grid and Ofgem to work closely together throughout the Future Energy Scenario consultation process with the goal of ensuring the scenarios are "right first time".

On the whole, we believe the proposed changes will de-risk the delivery of the ETYS compared to original proposals of 17<sup>th</sup> December 2013 however, the modified proposals still introduce challenges around consistency of outputs utilising the Future Energy Scenarios (FES). Our primary concern in this consultation is on the deliverability of the ETYS should a direction be issued, and we would anticipate a relief of our obligations under C11 paragraph 1 to publish the ETYS by 30<sup>th</sup> November to accommodate any additional obligations directed by Ofgem.

ETYS Updates

The core purpose ETYS document is to provide a clear articulation of the future development needs of the system for the next 10+10 years. In NGET's case this is based on the utilisation of the Network Development Policy, Special Condition 6J, and is based on the a least worst regret approach to analysing investments across a range of the Future Energy Scenarios and contracted sensitivities.

Therefore all of the network development is intrinsically linked to the FES and without updates to these scenarios there will be no basis for update to the ETYS document and associated major TO projects.

The other purpose of the ETYS is to provide customers with an indication of the opportunities on the network. We therefore propose to move to a more flexible and innovative way of engaging our stakeholders on network development and contracted generation date changes removing the need for the periodic updates every 3 months. We intend to do this by utilising information that is already available, such as the TEC register and NDP boundary information on capacity, providing this to customers and engaging them on other sources of information they may require to highlight opportunities on the system.

As can be seen from the latest ETYS quarterly update<sup>1</sup> that was included in the TNCQU of April 2014 there was no update to the output of any major projects associated with the ETYS. In recent years the quarterly updates have of been used to provide pictorial representations the contracted generation backgrounds and as a communication method to update customers on significant items. We consider it more appropriate to have fewer updates than every quarter as proposed by the consultation and feel that every six months may be more appropriate.

We are happy to discuss our proposals and views contained within this letter further. For further details, please contact Gary Dolphin ([gary.dolphin@nationalgrid.com](mailto:gary.dolphin@nationalgrid.com)) or Stewart Whyte ([stewart.whyte@nationalgrid.com](mailto: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

by email

**Andrew Hiorns**

**Electricity Network Development Manager**

Cc by email  
Gary Dolphin  
Rebecca Spring  
Craig Dyke  
Stewart Whyte

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<sup>1</sup> <http://www2.nationalgrid.com/UK/Services/Electricity-connections/Industry-products/transmission-networks-quarterly-connections-updates/>

## Appendix 1

### 1. Do you agree with our revised timetable for submission of the future scenarios to Ofgem?

- 1.1 NGET must submit its proposed future scenarios to us by 31 January rather than 1 June;
- 1.2 Ofgem has 28 days to review the scenarios and direct further work, instead of 42 days;
- 1.3 NGET should find an appropriate form of engagement with its customers and other stakeholders rather than NGET has to consult stakeholders on the future scenarios for a minimum of 56 days.

National Grid has based its response around the three points set out above.

#### 1.1 NGET must submit its proposed future scenarios to Ofgem by 31 January rather than 1 June

We agree with the change of date from the 1 June to 31 January associated with the Future Energy Scenarios. We have summarised below the stage of the FES work at this time and how we propose to engage with stakeholders on the direction of FES at this time.

By 31<sup>st</sup> January we will have undertaken a wide range of stakeholder engagement with our stakeholders, we will have used our stakeholders' feedback to develop our new axioms<sup>2</sup> that underpin the scope and direction of our scenarios and the scenarios will have been signed off within the business. Since the inception of the Future Energy Scenario process, National Grid has been focused on continuously improving its stakeholder engagement activities related to the creation of the scenarios.

Our engagement begins with the release of the scenarios at an annual conference in July, and is followed by a range of stakeholder workshops, bilateral meetings and other opportunities for stakeholders to engage with us to provide feedback on our scenarios. We believe our ongoing commitment to improve our stakeholder engagement, by for example investigating new and innovative ways to engage with our stakeholders, and ensuring our stakeholder engagement process is transparent and shaped by our stakeholders, are entirely compatible with the aims of the revised licence condition.

We believe by greater engagement from Ofgem in our public stakeholder engagement activities, as well as the opportunity for regular bilateral meetings throughout the second half of the year up to our submission of the scenarios no later than 31<sup>st</sup> January, will lead to a "right first time" approach to us meeting the requirement of the proposed licence condition. We will discuss with Ofgem options for them to be more closely involved in a range of activities within our scenario development process.

To ensure that this process works effectively, we also believe that National Grid and Ofgem must work closely together from the outset to ensure that expectations at each stage of the process are clearly defined and does not lead to confusion or misunderstanding.

Ofgem has requested that National Grid provide by 31<sup>st</sup> January each year:

- *a detailed description of the proposed scenarios and any changes to key quantitative assumptions from the previous year's scenarios;*
- *a description of any changes to the modelling methodology from the previous year;*
- *a document outlining how stakeholder feedback has informed the development of the new scenarios.*
- *a detailed explanation of the consultation process undertaken in the development of the future scenarios. This should also include a summary of responses from stakeholders on the proposed scenarios and an explanation as to how these were taken into account.*

National Grid intends to use its Future Energy Scenarios Stakeholder Feedback document as the focal point for this. We believe Ofgem's request for greater transparency of changes in underlying

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<sup>2</sup> An axiom is a premise or starting point of reasoning

assumptions and method, such as how stakeholder feedback has shaped the new scenarios and a detailed description of the stakeholder engagement process are all natural developments of the existing document, and will be welcomed by all our stakeholders. We are also committed to improving how we capture all stakeholder feedback and we will investigate the most appropriate method for sharing the aggregated, anonymised feedback with Ofgem.

### **1.2 Ofgem has 28 days to review the scenarios and direct further work, instead of 42 days**

We note Ofgem's revision to reduce the period for reviewing the scenarios from 42 to 28 days; this is of benefit as it would reduce the delay in commencing work on revising the scenarios. However National Grid believes it is important to define the potential impact of Ofgem directing us to revise the scenarios and potentially undertake further consultation activities.

It should be noted that our Future Energy Scenarios are not only a key component of the development of the Electricity Ten Year Statement (ETYS), but also feed into a wide range of other documents over a number of different timescales. This note will only focus on those within the first half of the year, namely Ofgem's Capacity Adequacy Report (CAR), DECC's Electricity Capacity Report (ECR), ENTSO-e and G analysis and our Gas Ten Year Statement (GTYS).

As stated earlier, we sign off the new set of scenarios in December. Following that approval, we undertake the detailed modelling and analysis during the period from January to June. This is a linear process, with little float in the programme. If Ofgem were minded to direct us to revise our scenarios, the delay to the process is likely to be no less than 28 days and potentially several months, to allow for discussions between National Grid and Ofgem, further stakeholder engagement and subsequent additional modelling followed by additional discussions with Ofgem. Even if the delay was only 28 days, this would have a number of consequences:

- National Grid would be unable to deliver the revised scenarios for inclusion within the ECR and CAR, as material is supplied in April. Assuming that there is not any possibility of delay in the delivery of scenarios for capacity assessment work or for modelling for Electricity Market Reform, the ECR and CAR analysis would have to be based on out of date scenarios.
- It is fair to assume that any delay caused by revising the scenarios with Ofgem will result in a similar length of delay in the publication of the ETYS and GTYS.
- National Grid Electricity Transmissions would be unable to fulfil its RIIO licence obligation to publish the Network Development Policy output, as required by Special Licence condition 6J.

A revision to the scenarios could result in potentially different scenarios in ETYS and EMR related work, leading to the possibility of a strong disconnect between the two areas of work, with multiple sets of scenarios and underlying datasets being used by stakeholders, resulting in misalignment within the energy market. In addition there could be delays in the publication of the FES, ETYS and GTYS, leading to confusion and frustration with stakeholders.

In conclusion we have severe reservations for the need for this review and have concerns with respect to the potential implications outlined above.

### **1.3 NGET no longer has to consult stakeholders on the future scenarios for a minimum of 56 days. Instead, NGET should find an appropriate form of engagement with its customers and other stakeholders**

We agree with this revision. Stakeholder engagement sits at the heart of the development of the Future Energy Scenarios. We intend to make our engagement both broader, welcoming new stakeholders into the process, and richer, through holding more detailed discussions where appropriate. We will continue to listen to our stakeholders' feedback and develop our engagement process to ensure our consultation is as wide-ranging, open and inclusive as possible and tailored to our stakeholders' needs.

We believe that Ofgem's proposed revisions to the wording of Standard Condition C11 are complementary to our long term goals regarding stakeholder engagement. We welcome the opportunity to work more closely with Ofgem throughout our FES stakeholder engagement process. We believe it is particularly important that good engagement is achieved at a senior level between National Grid and Ofgem early on in the process to ensure that we have a common understanding on

what needs to be done to achieve a successful outcome. We believe this collaborative approach will deliver the multiple benefits of more robust scenario development and provide Ofgem with additional visibility and assurance through the FES production process and ensure National Grid achieves the desired outcome from the modified licence conditions.

**Question 2: Should NGET publish within-year updates to the ETYS focusing on changes to the contracted background? If so, how frequent should these be (e.g. quarterly or six-monthly)?**

As the consultation letter states; it is National Grid's view that any within year update would relate only to a change in the contracted background, and that this information is already available to our customers and stakeholders via the TEC Register and other easily accessible routes. These are summarised below:

- The TEC Register, Interconnector Register and Embedded Generation Register. These are available via the National Grid website and are updated on a weekly basis. They show the current contracted position for both existing plant and projects in development.
- Customer Seminars: These are held twice a year and include an update by each of the Transmission Owners on developments within their network.
- Customer Meetings: Any existing or prospective customer is able to contact National Grid to discuss the implications for a new connection to the NETS i.e. the scope of transmission works required and timescales for connection.
- Transmission Networks Quarterly Connections Update (TNQCU): This document includes a pictorial representation of the TEC Register and Interconnector Register, but it is only accurate at the time the data was extracted. The version of both registers, as they appear on the external website, remains the most up to date source of this information.

Historically the TNQCU has been produced on a quarterly basis. It is our wish to move to a six monthly publication in line with the timing of the Customer Seminars as we believe that this will provide greater value to our customers. Feedback received to date suggests that our customers are open to National Grid changing the frequency of this publication. We welcome the additional feedback which may be received in response to the specific question posed within this consultation.

National Grid wishes to be able to continue to review and adapt these methods of communication and engagement, including their frequency, as the needs of our customers and stakeholders change.

Therefore, it is our wish that the absolute requirement to provide information "at least once every 3 months" as drafted within the proposed licence change is removed as it is our belief that it does not facilitate our ability to approach the changing needs of our customers and stakeholders in an efficient, innovative and flexible manner.