

Rory P Edwards
Electricity Transmission
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Ian Pashley
Markets & Balancing Development
Manager (electricity)
UK Transmission
ian.pashley@nationalgrid.com
Direct tel.: 01926 653446

21st November 2014

Dear Rory,

National Grid's response to Ofgem's consultation on a potential licence modification to enable future expansion of the role of Elexon Limited

National Grid, through our subsidiary National Grid Electricity Transmission plc (NGET), owns and operates the electricity transmission system in England & Wales, and is the National Electricity Transmission System Operator (NETSO) for the entire transmission system across Great Britain.

We welcome the opportunity to provide a response to Ofgem's consultation on a potential licence modification to enable future expansion of the role of Elexon Limited. This letter outlines our views on the questions that Ofgem have raised.

Question 1: Do you agree with the intent of this consultation?

We agree with the intent of this consultation. The restrictions imposed by SLC C3 of NGET's licence are a barrier to the effective consideration by industry of the potential benefits that may be delivered by Elexon's involvement in work beyond the immediate scope of the BSC.

We note that the process to amend NGET's licence involves a statutory consultation period followed by a period of 56 days post-Direction before they take effect. This process makes it more difficult for industry and Elexon to react effectively to opportunities that might present themselves, unless it is completed in advance. Considering potential changes to NGET's licence separate from any specific piece of work that industry might wish Elexon to seek involvement in enables a more streamlined process to be followed.

Question 2: Does the licence drafting in Appendix 1 fulfil the intent of the modification?

Yes. The proposed drafting appears to fulfil the intent of the modification, as set out in the consultation (being to allow the industry to explore options for potential expansion of Elexon's role).

You state in your consultation that the proposed licence changes do not necessitate a change to the BSC, but that as a consequence BSC parties could raise modifications to the BSC which

propose to extend Elexon's role. Previous work to expand the role of Elexon, such as administration of government's Warm Homes discount scheme, has been 'directed' to be included in the BSC. We note that any BSC modification to expand Elexon's role would need to be assessed against the current applicable BSC objectives – none of which capture the potential benefits of Elexon undertaking work beyond the confines of the BSC.

Without any further development of the current applicable BSC objectives, we would anticipate that any such BSC modification would need to be 'not detrimental' to the applicable BSC objectives, with any wider benefits being assessed as part of the Authority's wider statutory duties – including whether the prerequisite conditions set out in your April 2012 letter are met. An alternative approach might be to adapt the applicable BSC objectives in some way to account for this issue.

Question 3: Do you have any other suggestions for the drafting?

No.

Question 4: Does the licence drafting distinguish clearly between the BSCCo (Elexon) and the code administrator (a role that is fulfilled by Elexon)?

Yes. Adding a definition of BSCCo recognises the broader range of tasks undertaken to deliver proper, effective and efficient implementation of the provisions contained within the BSC; beyond the tasks required to deliver effective change management of the BSC itself.

Question 5: Do you think there would be any unintended consequences of inserting a reference to the BSCCo into the transmission licence?

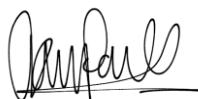
We have not at this stage identified any potential unintended consequences of inserting a reference to the BSCCo into NGET's transmission licence.

Question 6: Do you agree that paragraph 13AA is helpful/needed?

While it is unlikely that a BSC modification designed to expand the range of activities that can be undertaken by Elexon would meet the self-governance criteria defined in paragraph 14 of SLC C3 of NGET's licence, the drafting contained in paragraph 13AA puts the issue beyond doubt. We consider the wording to add useful clarification in this regard.

If you would like to discuss any of these points further, please do not hesitate to contact me via email (ian.pashley@nationalgrid.com) or telephone (01926 653446).

Yours sincerely,



Ian Pashley

Markets & Balancing Development Manager (electricity)