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Dear Mark,

**Consultation on Ofgem's Minded to Decision to assign TSO obligations under the Capacity Allocation and Congestion Management Regulation (CACM Regulation) within GB &**

**Consultation on Ofgem's Minded to Decision to assign TSO obligations under the Capacity Allocation and Congestion Management Regulation (CACM) to Offshore Transmission Owners (OFTOs) within GB.**

Thank you for the opportunity to provide our comments on both Ofgem's consultation on their Minded to Decision to assign TSO obligations under the Capacity Allocation and Congestion Management Regulation (CACM Regulation) within GB and Ofgem's consultation on their Minded to Decision to assign TSO obligations under the Capacity Allocation and Congestion Management Regulation (CACM) to Offshore Transmission Owners (OFTOS) within GB.

This response is provided on behalf of National Grid Electricity Transmission plc (NGET) and is not confidential. NGET owns and operates the high voltage electricity transmission system in England and Wales and, as National Electricity Transmission System Operator for Great Britain, also operates the Scottish and offshore high voltage transmission systems.

Below are NGET's responses to the specific questions raised in the consultation.

1. We agree that in Annex 1 to the consultations, Ofgem has broadly correctly identified the Articles of the CACM Regulation which place an obligation across the different types of TSOs although we note there are certain Articles (Articles 40 and 53) listed, that place obligations on Nominated Electricity Market Operators (NEMOs) only. We will discuss our issues with these Articles further in response to Ofgem's question 3. below.
2. We agree with Ofgem's application of Article 1(3) in assigning obligations to GB TSOs. In particular we agree that the CACM Regulation shall apply, without exception, to all GB TSOs.
3. In respect of the obligations listed in Annex 1, please see our comments on particular Articles below:
  - a. Articles 40 and 53 – We believe that although these obligations are on NEMOs, they will still need to consult with TSOs to take operational security into account. The need to consult with TSOs does not necessitate a reciprocal obligation so we are content not having an obligation for Article 40 and 53.
  - b. Article 42 – We don't believe this Article places an obligation on us as a TSO. We believe that we are not involved as a TSO in the calculation of the day-ahead cross-zonal capacity charge.
  - c. Articles 68 and 77 – We don't believe these Articles place an obligation on us as a TSO. We do not see a circumstance where we would undertake a shipping agent role but

understand that it is not necessarily something to be ruled out at this early stage. Any proposal to establish NGET as a shipping agent would require careful consultation to ensure that this did not introduce undue complexity to the GB arrangements nor contradict other obligations within our Transmission Licence.

- d. Article 73 – We don't believe this Article places an obligation on us as a TSO. We do not gather congestion income and therefore do not expect to be part of the development of the Congestion Income Distribution Methodology.

In the consultation, it states in STEP4 of Ofgem's approach to assigning TSO obligations that formalising Ofgem's Final Decision on assignment of obligations will be done via a licence modification. We welcome further clarification on whether it is proposed that these licence modifications will make reference to those CACM obligations that are already undertaken by the TSO under the existing GB Regulatory Framework.

- 4. In terms of future changes to the assignment of obligations to TSOs that may be required as a result of circumstances stated in the consultation please see our comments on each circumstance:

- 1. ***"The development of the terms and conditions and methodologies under the CACM Regulation. The CACM Regulation requires TSOs to develop a number of terms and conditions and methodologies. Once these methodologies are developed and approved, we may have to review TSO obligations to reconsider whether the allocation of responsibilities remains appropriate."***

We agree that the onus is on the potentially affected TSOs to request a review of obligations during the development of conditions and methodologies should they consider themselves to be affected or not. We would expect the TSOs to raise the need directly with Ofgem and Ofgem to determine the scope of such a review and to be responsible for such a review.

- 2. ***"A new GB TSO becomes operational. We expect new TSOs to begin operating in GB over the next couple of years. If a new TSO considers that it is unable to comply and would like Ofgem to apply the discretion set out in Article 1(3), we would expect the new TSO to notify us and provide an explanation of which obligations it considers it is unable to comply with along with supporting evidence."***

We agree again that the onus is on the potentially affected TSOs to request a review of their responsibilities with Ofgem through the normal connection process. The connection process may need reviewing to allow this to happen as a matter of course. If TSO obligations are to be captured via a license modification, care should be taken to assign obligations to those TSOs currently licensed but which are not yet operational.

- 3. ***"Operational TSO change in activity. We would expect the TSO in question to notify us of the material changes to its operational activity that could warrant a review of their assigned obligations under the CACM Regulation."***

Similarly to point 2. above, we believe the onus is on the affected TSO to raise the need for review of their obligations under CACM. We would expect this to be done through the process of them changing their operational activity in discussion with Ofgem and again any processes that are already in place for this process may need to be reviewed.

- 4. ***"Amendments to the CACM Regulation. We would expect the GB operational TSOs to provide reasons backed up by evidence if a review of the assignment of obligations under the CACM Regulation needs revisiting."***

We would expect that any revision of the CACM Regulation would be highlighted by Ofgem and a review of TSO obligations and assignment be undertaken.

In summary, we fully support this proposal and look forward to continuing our work with other TSOs in developing conditions and methodologies required under the CACM regulation and with DECC, Ofgem and GB Stakeholders in implementing the CACM Regulation in GB. With this in mind, we are happy to be involved in a workshop, should other stakeholders respond positively about one.

If you have any queries regarding this response, please contact Bec Thornton on +44(0)1926 656386 or on [bec.thornton@nationalgrid.com](mailto:bec.thornton@nationalgrid.com).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Pashley', with a horizontal line underneath.

**Ian Pashley**

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