

Energy UK response to Integrated Transmission Planning and Regulation (ITPR) Project: consultation on licence changes to enhance the role of the system operator

12 May 2015

1. Introduction

- 1.1. Energy UK is the trade association for the energy industry. Energy UK has over 80 companies as members¹ that together cover the broad range of energy providers and suppliers and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26 million homes.
- 1.2. Energy UK supports the aims of the ITPR project to proactively consider whether GB electricity transmission system planning and delivery arrangements are fit for purpose in the longer term. Therefore, we appreciate the progress made on the ITPR project, finalised with publication of the final conclusions on 17th March 2015. Following this publication, we welcome the opportunity to provide feedback on Ofgem's suggestions on licence changes to enhance the role of the System Operator (SO).

2. General comments

- 2.1. As already mentioned in our responses to the previous consultations on the ITPR project, an enhanced SO role appeared to be the most attractive of the options explored by Ofgem. The SO seems to be very well placed to identify strategic system needs and to coordinate planning transmission and interconnector investment, with input from the relevant Transmission Operator (TO). It remains to be seen how licence proposals will be interpreted and managed by National Grid in practice and we would hope that Ofgem will keep this under review.
- 2.2. While National Grid as SO is already taking steps towards playing a more active role in system planning, such as through the Electricity Ten Year Statement (ETYS), Future Energy Scenarios (FES) and System Operability Framework (SOF), we would stress the need to ensure they are sufficiently resourced to take on such a substantial role. We trust that Ofgem will ensure that the SO acts in a timely manner in its engagement with stakeholders when it comes to system planning to ensure that project development timescales are not impacted as a result of any enhanced powers given to the SO.
- 2.3. We have previously underlined the need for Ofgem to properly address the treatment of real or perceived conflicts of interest, by ensuring there is adequate/ sufficient ring-fencing in place to minimise this. Streamlining the conditions in the SO licence (through new condition 20) to clarify business separation requirements and compliance obligations, as well as conduct of the SO

¹ National Grid is a member of Energy UK but did not have input into this consultation response.

Operator in performing its Relevant System Planning Activities would seem to be a sensible approach, Arrangements should also ensure issues of information exchange between SO and project developers are avoided, particularly when commercially sensitive information is involved, There will be a fine line between ensuring confidentiality and ensuring the SO has a sufficient amount of information to reach a decision. Energy UK broadly supports the proposed changes, along with their reasons and effects, as explained in the final conclusions and the consultation document. We look forward to participating in further consultation in relation to the criteria for competitive tendering as there remain some unanswered questions as to how exactly this will work in practice.

2.4. We do still have important doubts about the actual translation of the policy intent into concrete modifications of the licence conditions. For that reason, in our response we will focus solely on the proposed amendments to licence conditions (schedule 1A, 1B and 1C) and not on the consultation questions.

2.5. Our response is included in the template annexed to this response.

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