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4th August 2015

Dear Sheona,

Statutory Consultation on licence modifications to enhance the role of the System Operator

This response is on behalf of National Grid Electricity Transmission plc.

We are supportive of the further development of a clear and effective framework for the delivery of an integrated transmission system underpinned by appropriate licence conditions for the System Operator and Transmission Owners. We have welcomed the opportunity to engage on the development of the licence conditions.

We recognise that Ofgem have taken on board some of the suggestions we made in response to the informal licence drafting in May 2015. We also note that the focus of this consultation is on facilitating the enhanced SO role, rather than on the detail of the arrangements that might need to be put in place to facilitate onshore competition. As such the majority of our comments are limited to detailed drafting points on how best to ensure that the Licence facilitates the proposed enhanced SO role.

Our detailed comments are presented in the attached table. However, we would like to highlight our key concerns specifically related to the proposed change to the Connection charging methodology (Standard Condition C6) and the new condition (Special Condition 20) with respect to business separation requirements, compliance obligations, and conduct of the SO in performing its Relevant System Planning Activities.

- Connection charging methodology (Standard Condition C6):
 - We do not believe that Ofgem's desire to account for Developer-Associated Offshore Wider Works (DAOWW) in the connection charging methodology is delivered by the suggested change to C6. DAOWW is investment in transmission capacity that provides wider network benefit. As such, these assets are infrastructure assets and not connection assets. Any change to LC6 would relate to connection assets only.
- Managing conflicts (Special Condition 20):
 - With respect to the Ofgem's desire to mitigate any conflicts of interest arising from the SO's enhanced role, we don't believe that the new provisions in paragraph 20.12(b) are required. Paragraph (b) appears unnecessary given the provisions of paragraph (a) which require that

information is not “directly or indirectly...used by any person who is not engaged in system operator functions” meaning that relevant information can only be used for system operator functions. If the drafting is to remain, please can its purpose be clarified to the extent that this is not achieved by paragraph (a)?

- Confidentiality of Relevant System Planning Information:
 - With respect to confidentiality of Relevant System Planning Information, we suggest that 2O.14 is deleted and 2O.12 is amended to confirm that all Relevant System Planning Information is kept confidential. In addition, as drafted 2O.14 requires the licensee to assess the view of the owner of the information as to whether disclosure would affect their commercial interest.
- Timing of the compliance report submission:
 - We have concerns regarding the timing of the compliance report submission, we believe that the drafted condition 2O.29 does not work. The compliance report must be produced within 90 days of the annual report (see 2O.27), it is therefore not appropriate for the compliance report to also be submitted to the Authority within 90 days of the annual report. We suggest that 2N.27 is used as a precedent for the submission timing and we put forward some wording in the attached table.

We look forward to continuing to work with Ofgem and the industry in implementing the ITPR proposals and welcome any comments and ideas interested parties have to ensure that the enhanced SO role delivers maximum benefit.

We are happy to discuss our views contained within this letter and appendices further should that be helpful. For further details, please don't hesitate to contact either myself or Joanna Carter (Tel: 07896 494937, email:Joanna.carter@nationalgrid.com) This response is not confidential and we are happy for it to be placed on the Ofgem website and for it to be shared more widely for the purposes of the ITPR project.

Yours sincerely

[By email]

Julian Leslie
Electricity Network Development Manager, TNS

Statutory consultation on proposed licence modifications to enhance the role of the System Operator
NGET Comments on the licence drafting proposed by the Authority under the notice dated 6 July 2015

Condition	Comment
Condition C1: Interpretation of Section C	Licence drafting convention. Defined terms in standard conditions are not capitalised either in the definitions section or in the standard conditions in which the terms are used. Defined terms within standard condition C1 and within the other standard conditions being amended should therefore all be lower case. (see Special Condition 1A.2(b))
Condition C6: Connection charging methodology	The changes to paragraph 4(c) are not appropriate here. Developer-Associated Offshore Wider Works (DAOWW) is investment in transmission capacity to provide wider network benefit. These assets are infrastructure assets and not connection assets, As LC6 relates to connection assets only, this does not appear to be the correct place for this requirement. Developers should be entitled to recover this money through the OFTO allowed revenue and subsequent tariff agreed with the regulator.
Condition C11: Production of information about the NETS	In paragraph 13(aa) the reference to “interconnection” should be deleted and replaced with “interconnector capacity” as per condition C27.8(c)(ii). “interconnection” is currently defined in condition A1 in terms that are not appropriate for use here.
Condition C25: Provision of information and assistance to the Authority...	Paragraph 18 defines the term “developer”. We would query whether this definition is required as the term “developer” is not used save in the context of the term “developer-associated offshore wider works” which has its own definition within condition C1 which suggests that the “developer” is the person seeking connection.
Condition C27: NOA	In paragraph 1 the references to “interconnection” in lines 3 and 5 should be deleted and replaced with “interconnector capacity” as per condition C27.8(c)(ii). “interconnection” is currently defined in condition A1 in terms that are not appropriate for use here.
Condition C27: NOA	In paragraphs 6(a) and (b) we suggest that the words “and form of the NOA report” are added after “NOA methodology” as the form of NOA report is also consulted on under paragraph 4 and submitted under paragraph 5
Condition C27: NOA	In paragraph 8(b) the final line should read “in accordance with paragraphs 15(a)(i) and (ii);”
Condition C27: NOA	In paragraph 9, line 6 should refer to paragraph 15
Condition C27: NOA	In paragraph 10, line 2 should refer to paragraph 5(a)
Condition C27: NOA	In paragraph 15(a)(iii), line 2 should refer to paragraph 15(a)(i) or (ii)
Condition C27: NOA	In paragraph 15 (b) we suggest the words “as defined in standard condition C11 (Production of information about the national electricity transmission system)” are added after “ten year network development plan” in line 3.
Condition C27: NOA	In paragraph 19, line 2 should refer to paragraphs 16,17 and 18
Special Condition 2N: EMR	As the terms “Participating Interest” and “Participating Owner” are to be defined in Special Condition 1A (for the purposes of both special conditions 2N and 2O), these definitions should also be deleted from Part H of Special Condition 2N
Special Condition 2O: Relevant System Planning Activities	The provisions of paragraph 2O.12(b) were not included in the informal licence drafting consultation. Paragraph (b) appears unnecessary given the provisions of paragraph (a) which require that information is not “directly or indirectly...used by any person who is not engaged in system operator functions” meaning that relevant information can only be used for system operator functions. If the drafting is to remain, please can its purpose be clarified to the extent that this is not achieved by paragraph (a)
Special Condition 2O: Relevant System Planning Activities	Given the provisions of Part C (Restrictions on the use of Relevant Planning System Information) all Relevant Planning System Information is confidential and subject to the restrictions in 2O.12 and the exceptions in 2O.13. It is therefore not just Relevant Planning System Information that is described in 2O.14 that must be treated as confidential. All Relevant Planning System Information must be kept confidential and any disclosure

	<p>of all Relevant Planning System Information must be in accordance with paragraphs 2O.12 and 2O.13. Accordingly we suggest 2O.14 is deleted and 2O.12 is amended to confirm that all Relevant Planning System Information is kept confidential. Furthermore, as drafted 2O.14 requires the licensee to assess the view of the owner of the information as to whether disclosure would affect their commercial interest.</p> <p>Delete paragraph 2O.14.</p> <p>Amend paragraph 2O.12 to read “the licensee must ensure that its employees, agents, contractors and advisers ensure that Relevant Planning System Information is treated and kept as confidential and is not directly or indirectly disclosed...”</p>
<p>Special Condition 2O: Relevant System Planning Activities</p>	<p>The drafting of 2N.29 needs to be amended as the timing contemplated by the current drafting does not work. The compliance report must be produced within 90 days of the annual report (see 2O.27). Accordingly it is not appropriate for the compliance report to also be submitted to the Authority within 90 days of the annual report. Rather, the compliance report (and certificate) needs to be submitted to the Authority by no later than x days after the accompanying certificate has been approved by board resolution. We suggest that 2N.27 is used as a precedent so that 2O.29 reads:</p> <p>“The licensee must, as soon as reasonably practicable and in any event no later than 14 days after the compliance certificate is approved by a resolution of the board of the licensee as required by paragraph 2O.28 (d) submit...”</p>