



Making a positive difference
for energy consumers

Transmission licensees,
generators, suppliers and
any other interested parties

Direct dial: 020 7901 7331

Email: Frances.Warburton@ofgem.gov.uk

Date: 22 February 2016

Decision to modify Special Condition 8C: Basis of transmission owner charges and to change the way Statements of the Basis for Transmission Owner Charges are produced

In November 2015, we consulted¹ on proposed changes to the way Scottish Hydro Electric Transmission plc (SHE Transmission) and SP Transmission plc (SPT) produce their Statements of the Basis for Transmission Owner Charges.² We confirm that all of the proposed changes should be implemented and that we are making the licence modifications as set out in the Statutory Consultation.

This letter sets out the reasons for our decision, which will take effect from 20 April 2016. Formal notice of the change to the transmission licence and non-confidential responses to our consultation are published on our website alongside this letter.

Reasons for our decision

As outlined in our consultation letter, we consider that the changes proposed will improve the process for producing the annual transmission owner (TO) charging statements in the following ways:

- *Greater clarity on what we approve*

We are amending Special Condition (SpC) 8C to make clear that we approve *the form* of the charging statements and any changes to the form (and therefore not the full contents). When we approved the 2015/16 TO charging statements, this included approval of the form of those statements. The current form of those statements is the approved form for the purposes of this licence condition. Any changes the TOs intend to make to the form of future statements will need to be approved by us.

In reviewing SpC 8C, we also identified a minor housekeeping change to SpC 8C paragraph 1(b) to clarify the drafting. We are making this minor change.

- *How indicative connection charges are produced*

We encourage the TOs to continue working together to improve the consistency in their indicative charges. This collaboration is to be facilitated through the Charging User Group (ChUG)³ (which is attended by an Ofgem representative).

¹ For details of the consultation, see <https://www.ofgem.gov.uk/publications-and-updates/proposed-changes-way-statements-basis-transmission-owner-charges-are-produced-and-statutory-consultation-modifying-special-condition-8c-basis-transmission-owner-charges>

² These statements show the basis on which SHE Transmission and SPT (collectively the Scottish TOs) will charge National Grid Electricity Transmission plc (NGET) for the services provided. The statements are revised annually.

³ Information about the ChUG is available at: <http://www2.nationalgrid.com/uk/industry-information/electricity-codes/standing-groups/>

- *How stakeholders can comment*

Stakeholders who wish to discuss their views on the statements should contact their National Grid account manager in the first instance and then escalate, if necessary, to the Transmission Charging Methodology Forum (TCMF)⁴ (which is attended by an Ofgem representative).

We expect National Grid account managers and the TCMF to address users' queries and comments, and keep the ChUG informed so it can take account of these when collaborating on producing indicative charges.

If users have made comments which may require a review of the form of the statements, we expect National Grid account managers and the TCMF to inform the Scottish TOs, and for the Scottish TOs to submit any proposals to us for our approval. We do not intend to consult on changes to the form of the statement or the level of the charges. This is in line with our approach to the electricity distribution charging statements.

We received two responses to our statutory consultation, from SHE Transmission and from SPT. We have published these alongside this letter. Both respondents were content with the proposed changes.

Alignment of requirements

We welcomed National Grid's response to last year's consultation on the TO charging statements.⁵ Its letter outlined the importance of ensuring that the Connection and Use of System Code (CUSC)⁶, STC⁷ and STCPs⁸ remain aligned with the charging statements. National Grid highlighted four CUSC modifications (CMPs) which were live at the time and may have affected the make-up and the calculation of the charges set out in the statements.⁹

We encourage all TOs to continue to work together to ensure the statements accurately reflect future changes to the CUSC, the STC and to STCPs. We note that the STC still makes reference to SpC J2, which has since been replaced by SpC 8C (the Condition which sets out the requirements for the charging statements). We suggest that National Grid, as the STC code administrator, facilitates the necessary updates to the STC at the earliest appropriate opportunity.

Please contact Edda Dirks at edda.dirks@ofgem.gov.uk if you wish to discuss anything raised in this letter.

Yours faithfully,

Frances Warburton

Partner, Energy Systems Integration

⁴ Information about the TCMF is available at: <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/consultation-proposed-modifications-statements-basis-transmission-owner-charges-201516>

⁶ <http://www2.nationalgrid.com/uk/industry-information/electricity-codes/cusc/the-cusc/>

⁷ The STC is the System Operator Transmission Owner code: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/System-Operator-Transmission-Owner-Code/>

⁸ The STCPs are the STC procedures, also at <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/System-Operator-Transmission-Owner-Code/>

⁹ These were: CMPs245/6 which have since been withdrawn, CMP248 - Final CUSC modification report published on 10 Feb 2016, and CMP249, currently in the workgroup process. Information on these at: <http://www2.nationalgrid.com/uk/industry-information/electricity-codes/cusc/Modifications/>