

Áine Higgins Ní Chinnéide
Ofgem
9 Millbank
London
SW1P 3GE

Patrick Hynes
Commercial Strategy Manager
(Electricity)

patrick.hynes@nationalgrid.com
Direct tel +44 (0)1926 656319

www.nationalgrid.com

29 January 2016

Dear Áine

Open letter on Half-hourly settlement: the way forward

Thank you for the opportunity to respond to Ofgem's open letter on Half-hourly settlement (HHS): the way forward. This response is provided on behalf of National Grid Electricity Transmission plc (NGET). NGET owns the electricity transmission system in England and Wales and is the National Electricity Transmission System Operator (NETSO). This response is provided by NGET in its role as the NETSO.

We agree with the benefits to the end consumer of reforming electricity settlement arrangements in Great Britain and therefore support the move to facilitate the elective migration of domestic and smaller non-domestic electricity customers from non-half hourly metering arrangements to a half-hourly (HH) settlement basis. Whilst we understand the rationale for an elective migration of these customers the implications of elective migration on other areas, such as network tariff setting, need to be considered to ensure an overall efficient solution for the end consumer.

As you note, there are a number of policy questions raised through the settling of all consumers on a HH basis. In particular, we agree with your thoughts that the distributional effects of moving to HH settlement will need to be examined and, where necessary, possible mitigations considered. We would suggest that these thoughts be extended to the current arrangements for Transmission Network Use of System (TNUoS) charges to demand customers as contained in Section 14 of the Connection and Use of System Code (the CUSC) and would be happy to discuss our thoughts in this area with you. At a high level this would have a significant impact on the non-half hourly demand revenues we recover on behalf of the industry, circa £1.5bn per annum. Moving to HH metering provides an excellent opportunity to review these arrangements, and similarly distribution charging arrangements, to help improve the signals provided and encourage greater demand side participation.

In your letter you welcome stakeholder views on the barriers to cost-effective elective HH settlement. To that end we would draw your attention to the current ACER considerations of the benefits of a harmonised EU-wide 15 minute Imbalance Settlement Period (ISP). We believe that such a change from current 30 minute ISP arrangements would present significant cost implications for GB stakeholders in the form of changes to IS systems and existing HH settlement meters, with the benefits to the GB consumer being unclear. Noting the argument that it may be possible to move to a shorter ISP in the wholesale market whilst retaining HH-based arrangements in the retail market, we still believe that such a move could potentially present a barrier to cost-effective elective HH settlement in GB.

We hope that these comments are of use and look forward to working with you further in this area. Please contact Andy Wainwright (andy.wainwright@nationalgrid.com / 01926 655944) if you would like to discuss further. We would be happy to meet at your convenience to discuss our further thoughts and offer our assistance in taking this work forward.

Yours sincerely

[By e-mail]

Patrick Hynes
Commercial Strategy Manager (Electricity)