

By e-mail to: electricitySOreform@ofgem.gov.uk

David Beaumont
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9 Millbank
London SW1P 3GE

16 March 2018

Dear David,

ELEXON's response to your statutory consultation: on changes to NGET's special licence conditions to introduce a new reporting and incentives framework for the Electricity System Operator from April 2018

We welcome the opportunity to respond to your statutory consultation on changes to NGET's special licence conditions relating to the Electricity System Operator (ESO) reporting and incentive framework.

As you are aware, ELEXON (as 'BSCCo') is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and systems that support the BSC. ELEXON is also responsible for EMR settlement arrangements.

Our response is appended below this cover letter.

The views expressed in this response are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel or Parties to the BSC.

If you would like to discuss any aspects of our response, please don't hesitate to contact me at steve.wilkin@elxon.co.uk.

Yours sincerely,



Steve Wilkin
European Coordination Manager

'A PROPOSAL TO MODIFY THE SPECIAL CONDITIONS OF THE ELECTRICITY TRANSMISSION LICENCE HELD BY NATIONAL GRID ELECTRICITY TRANSMISSION PLC': ELEXON'S RESPONSE

1. Our comments on Special Condition 4M

1.1 We only have comments on Special Condition 4M. These are listed below in order in which they appear in the Special Condition, which is not necessarily in order of decreasing importance.

4M.1(b)

1.2 We were unsure whether there was a missing word between 'and' and 'of' in this condition?

4M.3(a)

1.3 This proposed licence condition states that: 'The licensee shall have in place.... a Forward Plan that sets out....the changes the licensee considers it needs to make....in order to benefit consumers, in both the Relevant Year t, and in as many of the years following the Relevant Year t as is reasonably possible ...'

1.4 We believe that there is some scope for this to be read as either:

- the Forward Plan simply needs to set out changes that need to be made in Relevant Year t and in following years, or
- as requiring the Forward Plan to set out changes that require the licensee to choose options that maximum the length (in time) of consumer benefit.

1.5 So we believe that condition 4M.3(a) would benefit from some clarification on this point.

1.6 We agree that the condition should reflect consumer benefit and, in addition to clarifying the above, we would question whether the second interpretation (if that is what was intended) is guaranteed to give the best consumer value in all circumstances.

1.7 For example, there could be alternative and mutually-exclusive options that give a higher consumer benefit overall but over a shorter number of years. We therefore suggest a different test for changes, i.e. those giving highest net present value to consumers, or some similar measure that takes both time and value into consideration.

4M.4

1.8 We believe that the minimum consultation period of four weeks (as proposed in paragraph 2.17 of the draft ESORI Guidance Document) should be explicitly included in this condition, notwithstanding the provisions of condition 4M.12.

1.9 It is important that stakeholders have confidence in being given sufficient time to consider the contents of the draft Forward Plan each year. We believe that including the minimum consultation period in the licence condition explicitly gives greater certainty that the consultation period will not be reduced in future years and gives its importance greater prominence.

4M.6 (b) and (c)

1.10 We believe that the licensee should also be required to report on and explain why it has rejected any part of a FP Consultee's response, not only to demonstrate how it has taken into account in the Forward Plan those responses it considers appropriate. I.e. the ESO should

demonstrate why it has considered some responses appropriate and others as not appropriate for inclusion in the final Forward Plan.

- 1.11 Such reporting on rejected, as well as accepted, consultation responses is common and accepted practice, including in the [Ofgem final decision on the ESORI framework document](#). For example in paragraph 2.74 of that decision document, Ofgem explains why it has rejected an ESO comment on exposure to downside penalties.

Part G: Definitions

- 1.12 Should the definitions of 'End of Year Report' and 'Mid-Year Report' be added to Part G?
END.