

Chris Bennett
Director UK Regulation
Sent by email to:
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Direct Dial: 0207 901 1873
Email: Philippa.Pickford@ofgem.gov.uk

Date: 29 May 2018

Dear Chris,

Legal Separation of National Grid Electricity Transmission plc's Electricity System Operator and Transmission Owner Functions: Authority consent for the proposed disposal by National Grid Electricity Transmission plc of certain relevant assets to National Grid Electricity System Operator Limited

I am writing in response to your letter received on 29 March 2018 in relation to the disposal of certain assets ("the relevant assets") owned by National Grid Electricity Transmission Plc ("the Licensee"). The Licensee has given notice, pursuant to paragraph 4(a) of standard licence condition ("SLC") B3 of the electricity transmission licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Licence"), of its intention to dispose of the relevant assets to National Grid Electricity System Operator Limited.

This letter sets out the Authority's decision to consent to the disposal of the relevant assets.

Notice of intention to dispose of relevant assets

On 29 March 2018 the Licensee gave the Authority notice of its intention to dispose of the relevant assets. The relevant assets referred to in the Licensee's request for consent comprise the control centres used in conjunction with the national electricity transmission system.

The Licensee advised the Authority that it intends to dispose of the relevant assets to facilitate the proposed legal separation of NGET's electricity system operator and transmission owner functions.

The Authority's decision

Pursuant to paragraph 9(a) of SLC B3, where the Licensee has given the Authority not less than two months' notice, the Licensee may dispose of any relevant asset in circumstances where (a) the Authority confirms in writing that it consents to such disposal or (b) the Authority does not inform the licensee in writing of any objection to such disposal.

The Authority has considered, in accordance with its principal objective and general duties, the Licensee's notice of its intention to dispose of the relevant assets. In light of the information available to it, the Authority has not identified any objection and has decided to consent to the disposal of the relevant assets.

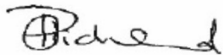
Consent

The Schedule to this letter contains the Authority's consent pursuant to paragraph 9(a) of SLC B3 of the Licence to the disposal of the relevant assets.

This letter constitutes notice pursuant to section 49A of the Electricity Act 1989

Unless the context otherwise requires, words and expressions used in the Licence shall bear the same meaning in this letter and the Schedule to it.

Yours sincerely,



Philippa Pickford

Deputy Director, Energy Systems Transition

Signed on behalf of the Authority and authorised for that purpose

Schedule

Consent by the Gas and Electricity Markets Authority under paragraph 4(a) of standard condition B3 (Disposal of Relevant Assets) of the Electricity Transmission Licence of National Grid Electricity Transmission plc (NGET) treated as granted under section 6(1)(b) of the Electricity Act 1989

Whereas:

1. National Grid Electricity Transmission plc ("the Licensee") is the holder of an Electricity Transmission Licence ("the Licence") treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").
2. On 28 March 2018 the Licensee formally requested that the Gas and Electricity Markets Authority ("the Authority") grant consent to the Licensee to dispose of certain Relevant Assets,¹ pursuant to standard condition B3 ("SLC B3") of the Licence.
3. For purposes of the Licensee's request for consent to disposal, the Relevant Assets referred to comprise solely of the control centres currently used in conjunction with the operation of the national electricity transmission system.
4. The disposal of the Relevant Assets referred to above would be to transfer ownership thereof to National Grid Electricity System Operator Limited including ownership of the land upon which the Relevant Assets are situated with the Licensee.
5. The Authority considers that it is appropriate to grant conditional consent to the Licensee for disposal of the Relevant Assets referred to in paragraphs 3 and 4 above for the reasons outlined below.

Reasons for the Authority's decision to grant consent

6. The Authority is satisfied that consent be granted for the disposal of the Relevant Assets because:
 - a. the Relevant Assets will not be obsolete or redundant, as the disposal by the Licensee is proposed to allow for the effective operation of the national electricity transmission system following the proposed legal separation of the Licensee's electricity system operator and transmission owner functions;
 - b. it does not appear that a disposal under the conditions of this consent will prejudice or have any undue impact on any electricity customers; and

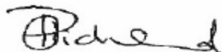
¹ As defined in standard condition A1 of the Licence.

- c. it does not appear that the disposal would impinge on the Licensee's duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.

Now therefore:

7. The Authority's decision to grant consent is subject to the following conditions being met:
 - a. that the disposal made under this consent must not have an adverse impact on consumers or impinge on the Licensee's duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission under section 9 of the Act; and
 - b. that the disposal is completed by 1 April 2019 and at such date the partial transfer of the licensee's transmission licence to its affiliate company, National Grid Electricity System Operator Limited, is in effect and National Grid Electricity System Operator Limited undertakes the electricity system operator functions.
8. This consent, in accordance with paragraph 9(a) of SLC B3, has effect on and from 29 May 2018 and shall remain in effect unless the Licensee fails to complete the disposal by 1 April 2019 or the Authority decides to revoke or amend the Consent in writing upon notice to the Licensee.
9. This consent also constitutes notice for the purposes of section 49A of the Act.

Dated: 29 May 2018



Philippa Pickford
Deputy Director, Energy Systems Transition
Duly authorised in that behalf by the Authority