

Grendon Thompson
Ofgem
Energy Systems Transition Team
10 South Colonnade
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24th July 2018

Dear Grendon

Notice under section 7A(9) of the Electricity Act 1989 (as amended) (“Act”) of the proposed partial transfer of the electricity transmission licence held by National Grid Electricity Transmission Plc to National Grid Electricity System Operator Limited (“Notice”)

This response to the Notice is provided on behalf of National Grid Electricity Transmission (NGET) in its role as Transmission Owner in England and Wales. NGET welcomes and supports Ofgem’s proposal to consent to the partial licence transfer of the electricity transmission licence treated as granted to NGET to National Grid Electricity System Operator Limited (NGESO).

In March NGET submitted to the Authority a request to the partial transfer of its transmission licence to NGESO. This request included proposed licence modifications on which the Authority had previously consulted. We support the proposed licence modifications and we agree that they deliver the policy intent, subject to a few essential amendments. Through our final review of the schedule (Summary of modifications to Standard and Special Conditions of the electricity transmission licence held by NGET) and Annexes attached to the above Notice against our submission, we have identified a number of amendments required in the proposed NGET licence. These are attached in a table in Appendix 1 to this letter, and include three new minor changes that have not been highlighted previously.

We understand the requirement to ringfence information that National Grid Electricity System Operator (NGESO) receives and acquires, however we are concerned about how System Operator Functions Information (SOFI) can be disclosed. As we continue to clarify the implications of the current definition of SOFI and the requirements of Special Condition 20 in the proposed NGESO licence, it is our view that the current drafting could be interpreted as being inconsistent with the System Operator and Transmission Owner Code (STC). We must ensure that during day to day operations and in emergencies, the system operator can continue to disclose relevant information to all transmission owners. Greater transparency in relation to SOFI disclosure through the STC and the Utilities Act (section 105) is required to maintain efficiency and co-ordination, and not have an adverse impact on our customers and end consumers.

Yours sincerely,



Chris Bennett
Director, UK Regulation

Appendix 1

Annex	Condition	Ref	Description	Comment
Annex A	1A	Definitions - Interconnector Owner	Should be shown as struck through versus omitted altogether	Refer to NG s7A submission document
Annex A	1A	Definitions - PCFM Variable Value	Definition has been erroneously removed and should be reinstated	Refer to NG s7A submission document
Annex A	1A	Definitions - Regulated Transmission Revenue	This needs to be defined in SC1A for the purposes of SC3A.2. This is not a definition in the current NGET licence, but is defined in the STO licences and used in SC3A.2. Suggest using STO definition "means the revenue (measured on an accruals basis) derived from the provision of transmission owner services (including to any separate business, other than the Transmission Business) in the relevant year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived"	New Issue. This should have been identified in NG s7A submission document.
Annex A	1A	Definitions - Relevant Year t	'terms' should be 'term' ahead of MOD and formulae should be formula ahead of 'set'	Refer to NG s7A submission document (minor)
Annex A	1A	Definitions - TOTEX Incentive Mechanism	'(f)' ahead of definition description has been erroneously added	Refer to NG s7A submission document (minor)
Annex A	1C	Para 1	Formatting error. Remove strikethrough on (a) and delete additions 'a' and 'b' in definition of remote transmission asset.	Refer to NG s7A submission document (minor)
Annex A		Para 2	Formatting error. Remove strike out on 'a' and 'b'.	Refer to NG s7A submission document (minor)
Annex A	2H	Title	Underline 'Not Used' as this is introducing a change as elsewhere.	Refer to NG s7A submission document (minor)
Annex A	2J	Para 2	Add comma after deleted 'and'	This was incorrect in NG's s7A submission (minor)
Annex A	2O	Title	Title should read 'Business separation requirements and compliance obligations' with rest of title struck out.	Refer to NG s7A submission document

Annex A	3A	3A.3	Opening words 'Maximum Revenue' need to be deleted and replaced with 'Allowed Transmission Owner Revenue'	Refer to NG s7A submission document
Annex A	3A	3A.3	In formula, 'TOT' should be replaced with 'NGETTOT'.	Refer to NG s7A submission document
Annex A	3A	3A.3	In formula, '+NICFt' should be struck through.	Refer to NG s7A submission document
Annex A	3A	3A.3	In formula, '-FINt' should be added as a new change after 'TIRGt'.	Refer to NG s7A submission document
Annex A	3A	3A.3	In formula, '+DISt' should be struck through.	Refer to NG s7A submission document
Annex A	3A	3A.3	In formula, '+TSt' should be struck through.	Refer to NG s7A submission document
Annex A	3A	3A.4	On further review we would suggest definition of FINt is amendment to read "Means the amount set out in Appendix 2 of this condition and represents the apportioning of revenues from the licensee relating to the provision of financial facilities to National Grid Electricity System Operator Limited"	New Issue. To provide greater clarity, no change of intent/policy.
Annex A	3A	3A.9	REVt-2, refers to 'Relevant TO Special Condition' which is being removed as a definition in 1A. Remove 'TO' from 'Relevant TO Special Condition' in REVt-2 definition	New Issue. This should have been identified in NG s7A submission document.
Annex A	3B	3B.3	In formula '+TICFt' and '+TICPt' have been erroneously deleted, should be shown as struck out.	Refer to NG s7A submission document
Annex A	3B	3B.4	we note this needs to be agreed and changes will need to be made via s11A	Refer to NG s7A submission document
Annex A	3I	3I.2	'3I.2' should be shown as struck out where it appears ahead of the deleted paragraph.	Refer to NG s7A submission document (minor)
Annex A	3I	3I.11.a	The word 'Transmission' should be shown as struck out ahead of 'System Operator' as this is a notable change	Refer to NG s7A submission document (minor)
Annex A	3I	3I.11.b	'Projects' should not be struck out.	Refer to NG s7A submission document (minor)

Annex A	3I	3I.23	References to para 3I.23 and 3I.24 should be to 3I.21 and 3I.22 respectively.	Refer to NG s7A submission document (not change marked)
Annex A	3I	3I.24	Reference to 3I.23 should be to 3I.21.	Refer to NG s7A submission document (not change marked)
Annex A	6F	6F.8.c	Should read "For Relevant Year t = 2016/17, 2017/18 and 2018/19" with 'and all subsequent Relevant Years' deleted.	This was incorrect in NG's s7A submission as this was removed in error when the 2nd version of the licence drafting was published by Ofgem
Annex A	6F	6F.8.d	Formula should be on a new line, and the formula should have commas not full stops	This was incorrect in NG's s7A submission as this was removed in error when the 2nd version of the licence drafting was published by Ofgem
Annex A	6F	6F.8.d	Underline para (d) as this is new.	This was incorrect in NG's s7A submission as this was removed in error when the 2nd version of the licence drafting was published by Ofgem
Annex A	6G	Table 1	Those parts of Table 1 which are shown as underlined should not be as the changes to these tables were introduced under a Direction dated 13 February 2018 so they already exist in the licence. They are not changes being made under s7a.	This was incorrect in NG's s7A submission
Annex A	6G	Table 2	Those parts of Table 2 which are shown as underlined should not be as the changes to these tables were introduced under a Direction dated 13 February 2018 so they already exist in the licence. They are not changes being made under s7a.	This was incorrect in NG's s7A submission
Annex A	6J	6J.14.c	'and all subsequent Relevant Years' should not be shown as struck out as this is to be retained.	Refer to NG s7A submission document
Annex A	6L	6L.8.d	The text in this paragraph (d) should be underlined as it is a new addition under s7a.	Refer to NG s7A submission document
Annex A	8A	8A.11	Formatting error. Second and third paragraphs should	Refer to NG s7A submission document (minor)

			be labelled 'b' and 'c' respectively.	
Annex A	9	n/a	<p>Title of Ch 9 should not be struck out as Schedules 1 and 2 remain relevant.</p> <p>The deletions of Schedule A and B are correct but Schedule 1 (Specified Area) and Schedule 2 (Revocation) (which are set out in Annex E to the consultation) should be retained / set out in Ch 9.</p>	Refer to NG s7A submission document
Annex B	A1 Definitions	Definitions - transmission business	"or" at the end of sub para (i) should be struck out, "or" at the end of sub para (ii) should be shown as new text and new sub para (iii) should be shown as new text	Correct in SC1C and comments in Standards, but not correct in this summary annex for Standard Condition changes