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Aggregators Customers and
Other Interested Parties

Email: electricitySOreform@ofgem.gov.uk

Date: 15 November 2018

Dear colleagues,

Open letter setting out changes proposed to the definition of “licensee’s transmission system” in the standard conditions of all electricity transmission licences.

This letter is to inform interested parties of a change proposed to the definition of “licensee’s transmission system” in the standard conditions of all electricity transmission licences that will take effect from 1 April 2019.

This letter sets out the proposed change but does not represent our formal notification of licence modifications that will take effect on 1 April 2019. We will publish the formal notification to make the relevant modification in December 2018. This letter is intended to provide interested parties with information on the changes proposed and the reasons for the change.

Background

National Grid Electricity Transmission plc (NGET) is the System Operator (SO) for the electricity transmission network in Great Britain (GB). In November 2015, Government ministers expressed the desire to make the SO more independent. On 12 January 2017, we issued a consultation on our views on the future arrangements for the Electricity System Operator (ESO), its role and structure¹. On 3 August 2017, we published our response to the consultation with confirmation on proceeding with the separation of NGET’s ESO and TO functions². On 1 December 2017, we published our informal consultation³ on ESO licence drafting following which we gave a Notice to Consent⁴ to the partial transfer of NGET’s licence on 24 May 2018. On 4 September 2018, we published our consent on the proposed partial transfer of the transmission licence held by NGET to the National Grid Electricity System Operator (NGESO) and the associated licence modifications required to separate the ESO functions⁵.

¹ <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-its-role-and-structure>. consultation responses can be found under the heading ‘response documents’.

² <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-response-consultation-so-separation>

³ <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-informal-consultation-eso-licence-drafting>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/eso-separation-notice-proposal-partially-transfer-electricity-transmission-licence-held-national-grid-electricity-transmission-plc-national-grid-electricity-system-operator-limited>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/consent-partially-transfer-electricity-transmission-licence-held-national-grid-electricity-transmission-plc-national-grid-electricity-system-operator-limited-0>

To update and maintain the consistency of the electricity transmission licence following the legal separation of the ESO, which will go live in April 2019, we published a notice⁶ of proposed modifications to the standard conditions of all electricity transmission licences on 24 May 2018 and our decision⁷ to modify the standard conditions of all electricity transmission licences on 4 September 2018.

Proposed change and reasons

Since publication of the decision to modify the standard conditions of all electricity transmission licences we have identified an error in the change made to the definition of "licensee's transmission system".

The current definition is as follows:

"licensee's transmission system" – means those parts of the national electricity transmission system which are owned or operated by a transmission licensee within its transmission area.

As part of our decision to modify the standard conditions of all electricity transmission licences we changed the definition to the following to take effect from 1 April 2019.

"licensee's transmission system" - means those parts of the national electricity transmission system which are owned by a transmission owner within its transmission area or operated by a transmission licensee.

The definition was updated to be relevant for both NGET and NGENSO and to reflect that NGENSO does not own parts of the national electricity transmission system. We have identified that the change made to the definition has resulted in some ambiguity on the inclusion of offshore transmission owners (OFTOs) in the definition.

We thus propose to change the definition to as follows:

"licensee's transmission system" - means those parts of the national electricity transmission system which are

- a. owned or operated by a transmission licensee within its transmission area; or
- b. operated by the system operator

This change will take effect from 1 April 2019.

Next Steps

We will publish a notice to modify the relevant conditions of the electricity transmission licence so they refer to the new version of the National Electricity Transmission System Security and Quality of Supply Standards (NETS SQSS) in December 2018. The same notice will include the formal notification for updating the definition of "licensee's transmission system".

If you have any questions on the contents of this letter, please contact us at the email address listed above.

Yours faithfully,

⁶ <https://www.ofgem.gov.uk/publications-and-updates/eso-separation-notice-proposed-modifications-standard-conditions-all-electricity-transmission-licences>

⁷ <https://www.ofgem.gov.uk/publications-and-updates/decision-modify-standard-conditions-all-electricity-transmission-licences>

Grendon Thompson
Head of SO Regulation

Duly authorised on behalf of the Gas and Electricity Markets Authority

15 November 2018