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SSEN Derogation request for Alternative Approach on Orkney

Dear Olivia,

We welcome the opportunity to respond to the above consultation.

National Grid Electricity System Operator (NGESO) becomes a legally separate entity on 1 April 2019. As the ESO we use our unique perspective and independent position to facilitate market based solutions which deliver value for consumers.

NGESO appreciates that there are challenges associated with Orkney and in particular breaking the 'catch 22 situation' whereby developers need the confidence that SSEN is committed to developing the transmission link to the islands and SSEN needs the confidence that developers will connect once their transmission connection is built. NGESO has been supportive of the work SSEN has been doing to develop the proposed Alternative Approach.

Overall, we are supportive of the queue management 'ready to connect' proposals, but have concerns with the proposals relating to user commitment. Our concerns extend to the proposals to allow customers to unfix and vary their liability and securities as part of the queue management proposals where this is currently outside the provisions of the Connection and Use of System Code (CUSC) Section 15. So, whilst we support the Ofgem minded to position on rejecting part 2 of the derogation request (Temporarily adjusting liabilities), we only partly support part 1 of the derogation request (The Ready to Connect Process).

We also note this derogation request is under SSEN's SHEPD licence. We understand that this licence allows for a derogation process for its obligations to comply with CUSC. To implement any of the proposals relating to changes in user commitment, would also require NGESO to receive derogations from its obligations under CUSC. Within this code there is currently no codified concept of a derogation. Therefore, this provides complexity on what regulatory process would need to be followed for NGESO to implement the proposals. Our view is that 'The Ready to Connect' process without the proposed user commitment elements of allowing developers to unfix and change liability and securities with queue position can be implemented by NGESO without any derogation from CUSC.

Our response to your specific questions are appended to this letter.

We welcome the opportunity to further discuss the points raised within this response. Should you require any further information or would like clarity on any of the points outlined in this paper then please contact Richard Smith in the first instance at richard.smith5@nationalgrid.com

Yours sincerely

John Twomey
Market Development Manager

Responses to your questions

Question 1: Do you agree that SSEN's ready to connect trial will provide valuable learning in line with the Energy Networks Association's (ENA's) proposals on interactivity and queue management?

National Grid ESO has been engaged with both SSEN and the ENA in the development of queue and interactivity proposals. Our preference is for a consistent approach which could be applied across GB. To achieve this it is useful to trial approaches and as such we agree that the SSEN trial can provide valuable learning for queue management. We consider that some of the proposals may be unique to Orkney, so may not be appropriate to apply elsewhere.

Question 2: Do you agree that the proposals (subject to all affected connection customers agreeing to sign up) allocate the available capacity in a fair and transparent way?

We consider that the trials can only be effective with the support of all affected connection customers signing up. That support, once given, demonstrates that those affected customers see the proposals to potentially reallocate the available capacity as fair and transparent.

Question 3: Do you agree with our minded-to position that if this trial is implemented in a clear, fair and transparent way, there is no significant impact on consumers, competition, sustainable development, health and safety or other parties?

We agree that the queue management elements of the trial provide no significant impact on consumers, competition, sustainable development, health and safety or other parties. However, we do have concerns with the proposals to allow customers to unfix their liability and securities. This does have the potential to have impact on competition as there are other customers in GB which currently are unable to unfix their liability and securities. This has the potential to distort competition and we do not support this element, or the changing of liability and securities (beyond what is currently provided for in CUSC) without following appropriate governance within CUSC.

Question 4: Do you agree that the proposal to temporarily adjust liabilities will pass unnecessary risk to consumers?

We agree with this analysis.

Question 5: Do you agree that the proposal provides an unfair competitive advantage to those customers who would benefit from a period of adjusted liabilities?

We agree with this analysis.

Question 6: Do you agree with the proposed mechanism of offering adjusted liabilities (i.e. by SHE-Transmission not passing on the unique subsea costs to the ESO, who in turn does not pass them to end connection customers)?

We do not support this proposed mechanism. We consider that the proposals have the potential to pass costs onto all end customers (via TNUoS) through the Strategic Wider Works funding mechanism.

Question 7: Do you agree with our minded-to position to reject Part 2 of the derogation request, as it imposes additional risk on all consumers and gives some connection customers an unfair advantage?

We agree with Ofgem's minded to position and consider that the changes to liability and securities proposed within Part 1 also have the potential to give some connection customers an unfair advantage if only implemented in Orkney.