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Date: 06 June 2015

Dear Louise

## **Consultation on the Losses Discretionary Reward submission for tranche 1**

Thank you for the opportunity to respond to the above consultation. National Grid Electricity Transmission plc (NGET) is the owner of the electricity transmission system in England and Wales and the System Operator (SO) for Great Britain. This response is on behalf of NGET and is not confidential.

We fully support reducing losses on distribution systems provided that doing so does not increase overall costs for consumers elsewhere. In particular, it is important to ensure that well-intentioned measures on a distribution system do not increase costs on the transmission system.

As set out in our RIIO-ED1 consultation response dated 26<sup>th</sup> September 2014<sup>i</sup>, we are aware that certain measures to reduce losses on one party's network, if not co-ordinated, may result in operational challenges on another party's network, potentially resulting in increases to overall network costs. For example, one of the potential contributing factors to high transmission voltages is understood to be the implementation of loss reduction strategies that can take place on distribution networks. These can contribute to the need for National Grid to take actions to reduce transmission system voltages, by investing in voltage control equipment, or using operational actions such as constraining generation, either of which have the effect of increasing transmission costs.

We welcome the emphasis of the initial tranche focusing on how to estimate and improve understanding of losses and the processes for managing them, which has provided an opportunity for wider impacts to be considered.

We support the joint establishment of the Technical Losses Task Group through the ENA by the Distribution Network Operators. This group includes DNO, TO and SO involvement to ensure a whole system approach. The group's main aims are aligned with the strategies published by individual companies: of understanding losses on their systems; assessment of process; improving information by preparing for using smart meters, and sharing of best practice.

Through the Transmission Distribution Interface (TDI) Steering Group, interaction with embedded generation and high volts issues has been identified and actions agreed. On an individual company basis we continue to work closely through the regular Joint Technical Planning Meetings to resolve local issues.

One specific example would be the development of an innovative demand turn up service with Western Power Distribution. This has the potential to help WPD manage their system, including losses, and also provide a service to National Grid as System Operator to manage a lightly loaded transmission system.

In summary, we understand that the Distribution Network Operators are making good progress on the tranche 1 objectives. In particular, we look forward to working closely with the DNOs through the newly established ENA task force.

Please contact me if you have any further questions relating to this response.

Yours sincerely

[by email]

Patrick Hynes  
Regulatory Policy Manager  
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<sup>i</sup> RIIO-ED1: Draft determinations for the slow-track electricity distribution companies  
<https://www.ofgem.gov.uk/ofgem-publications/90654/ed1draftdetngresponsefinalnationalgrid.pdf>