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## **Consultation on proposed amendment of National Grid Electricity Transmission's Network Access Policy (England and Wales)**

### **Summary and consultation details**

This letter consults on the proposed amendment of National Grid Electricity Transmission plc's (NGET) Network Access Policy (NAP), which it submitted to the Authority<sup>1</sup> under Part C of Special Condition 2J of its electricity transmission licence.<sup>2</sup>

There are currently two NAPs in place in Great Britain: one for England and Wales,<sup>3</sup> and another for Scotland.<sup>4</sup> NGET is currently both the electricity system operator (ESO) in Great Britain and the transmission owner (TO) in England and Wales. In 2017, the Authority published its decision<sup>5</sup> to separate the system operation function and make it more independent from the rest of National Grid. This included making the ESO a legally separate company, National Grid Electricity System Operator Limited (NGESO), within the National Grid Group with a separate licence. Formal separation will be in place from April 2019 and NGET has submitted an updated NAP to reflect this legal separation.

Part C of Special Condition 2J of NGET's licence sets out the procedure for amending its NAP. This provides that the Authority may approve the proposed amendment, subject, where necessary, to such conditions requiring further action to be undertaken by NGET in relation to the NAP as the Authority considers appropriate. The Authority may also reject the proposed amendment (and, where appropriate, give recommendations as to alternative amendments which it considers ought to be made).

NGET's proposed NAP can be found at Appendix 1 of this document. We have reviewed the proposed amendments and consider that they are appropriate and in the interests of consumers. We are therefore proposing to approve them. We welcome consultees' views on our proposal by 8<sup>th</sup> February 2019.

Unless marked as confidential, all responses will be published on our website.

### **Background**

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<sup>1</sup> References to "the Authority", "we", "us" and "our" are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority.

<sup>2</sup> <https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Electricity%20Transmission%20Plc%20-%20Special%20Conditions%20-%20Current%20Version.pdf>

<sup>3</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2015/06/network\\_access\\_policy\\_-\\_england\\_and\\_wales\\_1.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/06/network_access_policy_-_england_and_wales_1.pdf)

<sup>4</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/transmission\\_network\\_access\\_policy\\_scotland\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/transmission_network_access_policy_scotland_0.pdf)

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-its-role-and-structure>

The UK energy system is undergoing changes, such as an increase in renewable generation, and investments are made to replace and reinforce parts of the transmission system to accommodate these changes. In order to allow this work to take place safely, parts of the network must be switched out. This is known as an 'outage'. These outages can reduce the capacity of the network to transport electricity, and are managed by the ESO, which pays generators, as required, either to curtail electricity production or to increase their electricity output to make up the shortfall. These costs are then passed on to consumers – these are known as constraint costs. TOs' activities, such as scheduling work within outage windows, can significantly impact constraint costs. Likewise, last minute outage changes also cost consumers money. Without effective communication between it and the TOs, the ESO may be impaired in effectively planning outages in a way that minimises constraint costs.

Special Condition 2J of the TOs' licences obliges them to have in place and act consistently with a NAP. The NAP seeks to minimise costs resulting from network constraints caused by inefficient outage planning. The NAP is designed to facilitate this by setting out what can be expected in terms of TO long-term planning, managing changes to the outage plan and how the TO will work with the ESO in managing unplanned network outages. The NAP in part reflects and in part adds to the existing ESO-TO code<sup>6</sup> (STC) and STC procedures (STCP) – specifically STCP 11-6.

The amendments to its NAP NGET has proposed are in anticipation of the legal separation of NGET and NGESO in April 2019.

### Key proposed amendments to the NAP

As part of our assessment of the proposed amendments, we have compared them against the existing NAP. There are few significant changes from the existing NAP. Many of the proposed amendments are clarificatory and seek to ensure the NAP more appropriately reflects NGET and NGESO as legally separate entities.

All changes are detailed in Table 1:

Table 1. Changes in NGET's proposed NAP compared to its existing NAP

Section	Changes
General	<ul style="list-style-type: none"> <li>• Reformatting to improve document structure.</li> <li>• Simpler explanations and new corporate branding noting it is a public facing document.</li> <li>• Consistency of terminology throughout the document.</li> <li>• Scope broadened to talk about consumer "impact", not just cost (this could include system security).</li> </ul>
1	Executive Summary <ul style="list-style-type: none"> <li>• Brief overview of the industry framework to explain the different National Grid roles (NGET TO and NGESO) and explanation of what constraint costs are.</li> </ul>
2	Requirements for the Network Access Policy & NGET's Principles for Meeting Policy Requirements <ul style="list-style-type: none"> <li>• These two sections have been combined for clarity.</li> <li>• Clarifies that the NAP does not seek to replace the STC or STCPs, rather seeks to support them.</li> </ul>
3	Network Access Timeframes <ul style="list-style-type: none"> <li>• Long-term planning framework changed from a minimum of 8 years ahead to a minimum of 6 years ahead to align with STCP 11-1 Outage Planning.</li> </ul>

<sup>6</sup> <https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code?code-documents>

4	Steps to satisfy the Network Access Policy Requirements	<ul style="list-style-type: none"> <li>• Clarification added to note that the NAP is based on the assumption that NGESO will operate in accordance with its licence and other obligations.</li> <li>• Recognises that NGESO may in some cases reasonably plan above SQSS requirements but where this causes an NGET TO impact (and thus consumer impact), this is assessed in line with the NAP.</li> <li>• Clarifies financial requirements (remuneration under STCP mechanisms if NGET TO incurs additional costs due to ESO/TO trade-offs in consumers' best interests) for legal separation to avoid potential cross-subsidies.</li> </ul>
4.1	Trading off Constraint, Transmission Investment and Operational Costs	<ul style="list-style-type: none"> <li>• Improved explanation of the potential trade-offs that can be made for the benefit of the consumer.</li> <li>• Reinforces the requirement to record NAP decisions where TO and thus consumer impact is incurred as a result.</li> </ul>
4.2	How System Outages will be Managed and Co-ordinated	<ul style="list-style-type: none"> <li>• Renamed "Planning, Management &amp; Co-ordination of System Access".</li> <li>• References STCP11-1 Outage Planning.</li> <li>• Clarifies that NGET will seek to ensure SQSS requirements are adhered to.</li> <li>• Responsibility on NGET to identify where outages or sequence of outages would have a high NGET TO (and thus consumer) impact if disrupted.</li> <li>• Current ESO commitments clarified through direct reference to NGESO.</li> <li>• Includes the expectation that where the decision-making involves third party Distribution Network Operator (DNO) impact, as well as NGET TO and NGESO impact, that NGESO will prioritise system access based on the overall best outcomes for consumers and network users.</li> </ul>
4.3	Managing Overruns and Delays	<ul style="list-style-type: none"> <li>• Expanded to include managing outage changes.</li> <li>• Expanded to detail how NGET TO will further seek to avoid overruns, delays and changes.</li> <li>• Clarifies that the normal process for requesting and approving outage changes between NGET TO and NGESO applies, with a "Record of the Application of the Network Access Policy Form" to be filled in as an additional record.</li> </ul>
4.4	Establishing a Baseline Delivery Cost for Activities	<ul style="list-style-type: none"> <li>• Now identifies a baseline delivery plan that will have a baseline cost.</li> </ul>
4.5	Enhanced Services above the Baseline Level of Service	<ul style="list-style-type: none"> <li>• Clarifies it is services offered from NGET TO to NGESO.</li> </ul>

4.6	Monitoring and Review	<ul style="list-style-type: none"> <li>Recognises there is consumer benefit in collaboration between NGET TO and the other TOs in respect of reviewing the NAP.</li> </ul>
4.7	Communication	<ul style="list-style-type: none"> <li>NGESO required to keep NGET TO updated on relevant changes to outage planning guidance in order for NGET TO to be able to effectively develop outage proposals.</li> </ul>
Appendix 1	Short-Term and Long-Term Outage Planning Process	<ul style="list-style-type: none"> <li>Planning of Work and Capital Schemes section removed as incorporated in main document and STCPs.</li> <li>Factors for consideration from NGET TO to now include enhanced Emergency Return to Service times.</li> <li>Factors for consideration from NGESO to include a risk based approach to potential constraint costs, i.e. cost and likelihood.</li> </ul>
Appendix 2	Record of the Application of the Network Access Policy	<ul style="list-style-type: none"> <li>This appendix now details just the minimum information required to be recorded rather than an actual form. This allows continual development of the recording format to be developed between NGET TO and NGESO and is tailored to suit the scenario, i.e. not just for NGESO sanctioning of outages. NGESO will maintain its own internal sanctioning process for this, which will include confidential data and high level data. NGESO will only share with NGET TO sufficient information for NAP decision and recording purposes.</li> </ul>

### Our assessment of the proposed amendments

We consider that the proposed changes are positive, such as general clarifications, and greater emphasis on choosing options which benefit consumers. Our initial view is that the NAP is broadly of sufficient quality and clarity, fulfils the requirements of Special Condition 2J, and fulfils the NAP's objectives to facilitate an efficient SO- TO relationship in relation to the planning, management, and operation of the National Electricity Transmission System (NETS) for the benefit of consumers.

The most significant proposed amendment to the NAP is a change in the long-term planning timeframe from eight years to six years. We understand that NGET is proposing this in order to align the NAP with STCP 11-1 Outage Planning requirements. This is intended to allow planning processes to be streamlined by allowing NGET to more closely align its NAP planning with STCP 11-1 planning requirements. We note that this shorter timeframe would differ from that of SP Transmission and Scottish Hydro Electricity Transmission's NAP, which currently still works to an eight-year timeframe. However, all of the TOs work to the same STCP 11-1 code on Outage Planning. We welcome views from stakeholders specifically on potential issues with this change and suggested solutions.

### Consultation questions

We welcome stakeholders' views on the proposed amendments to NGET's NAP, and in particular on the following questions:

1. Is the proposed NAP sufficiently clear on how NGET will manage and respond to unplanned outages?
2. Is the communication/coordination strategy clear? In addition, is it clear how the strategy can be applied to generate benefits for consumers?
3. Do you consider any of proposed amendments may not be in the interests of consumers?

4. Do you have any views specifically on the move from an eight-year timeframe to a six-year timeframe and potential associated issues? If so, do you have any suggested solutions to these issues?
5. Do you consider that the proposed amendments accurately reflect the legal separation of the TO and ESO roles?

### **Next steps**

Please send responses to this consultation to [Stephanie.GalloMendoza@ofgem.gov.uk](mailto:Stephanie.GalloMendoza@ofgem.gov.uk) by 8<sup>th</sup> February 2019. We will review all responses received before deciding whether to approve the proposed amendments.

### **Clothilde Cantegreil**

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