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| Modification proposal: | GSR024: National Grid Legal Separation SQSS Changes¹ | | |
| Decision: | The Authority ² approves ³ the proposed changes to the National Electricity Transmission System Security and Quality of Supply Standards (NETS SQSS) | | |
| Target audience: | National Grid Electricity Transmission PLC, transmission licensees and other interested parties | | |
| Date of publication: | 02 January 2019 | Implementation date: | As set out below |

Background

National Grid Electricity Transmission plc (NGET) is the System Operator (SO) for the electricity transmission network in Great Britain (GB). As such it is responsible for the day-to-day operation of the system. Different parts of the GB transmission network are owned by different Transmission Owners (TOs). In addition to its system operator role, NGET is also owner of the transmission system in England and Wales.

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 structure.⁴ On 3 August 2017, we published our response to that consultation, detailing the responses from stakeholders to our consultation document and National Grid’s proposals, as well as confirmation that National Grid would proceed with the separation of its ESO and TO functions.⁵ On 1 December 2017, we published our informal consultation⁶ on the ESO licence drafting, following which we published a consultation on 24 May 2018 on the proposal to partially transfer the transmission licence held by NGET to the National Grid Electricity System Operator (NGESO).⁷ On 4 September 2018, we published a notice consenting to that partial transfer and the associated licence modifications required to separate the ESO functions.⁸

GSR024 proposes to make changes to the NETS SQSS that are required to reflect the creation of, and clarify the responsibility of, the NGESO as a legally separate entity to NGET. NGET will continue to perform the functions of a TO after legal separation on 1 April 2019.

¹ <https://www.nationalgrideso.com/sites/eso/files/documents/GSR024%20Final%20Modification%20Report%20to%20Authority%20v%202%20%28final%29.pdf>

² References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁴ <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’.

⁵ <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-response-consultation-so-separation>

⁶ <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-informal-consultation-eso-licence-drafting>

⁷ <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>

⁸ <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>

GSR024 also includes changes to the NETS SQSS Industry Governance Framework⁹; to reflect the creation of NGESO. We note these changes.¹⁰

The modification proposal

GSR024 proposes to modify the NETS SQSS to:

- include a new definition for “NGESO”;
- change the definition “Transmission Licensees” such that it includes reference to “NGESO”;
- change the definition of “Onshore Transmission Licensee” such that it includes reference to NGET, SPT, SHET and “other person who is the holder of a transmission licence in respect of an onshore transmission system”;
- change the definition of “National Electricity Transmission System Operator Area” such that it refers to NGESO’s transmission licence;
- change the definitions of “Ancillary Services”, “Balancing Services” and “Unacceptable Frequency Conditions” such that they refer to “NGESO” rather than “NGET”;
- change “NGET” to “NGESO” in multiple NETS SQSS clauses related to SO functions within chapter 5 (Operation of the Onshore Transmission System) and chapter 9 (Operation of the Offshore Transmission System); and
- change “NGET” to “NGESO” in clauses related to SO functions within Appendix C (Modelling of Security Planned Transfer) and Appendix E (Modelling of Economy Planned Transfer).

Industry Consultation

An industry consultation was undertaken between 8 June 2018 and 5 July 2018. Two consultation responses were received, both of which supported the modification proposal. One of the responses suggested two alterations, both of which have been included in GSR024.

NETS SQSS Panel recommendation

The NETS SQSS Panel considered the proposal, consultation responses received and subsequent legal text changes on 20 August 2018. The Panel unanimously recommended that GSR024 be implemented.

Decision notice

This letter sets out the Authority’s decision the proposed changes to the NETS SQSS and the reasons for that decision. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of objective (i) of the NETS SQSS;¹¹ and
- approving the modification is consistent with our principal objective and statutory duties.¹²

⁹ NETS SQSS Industry Governance Framework:

<https://www.nationalgrideso.com/sites/eso/files/documents/NETS%20SQSS%20Industry%20Governance%20Framework%20v1.0%20%2830-03-12%29.pdf>

¹⁰ We note that part of the proposed change to clause 2.2 of the Governance Framework is not correct. We have brought this to the attention of the NETS SQSS Panel, and understand that this will be reviewed and addressed by the Panel before any changes to the NETS SQSS Industry Governance Framework are implemented.

¹¹ The NETS SQSS Industry Governance Framework:

<https://www.nationalgrideso.com/sites/eso/files/documents/NETS%20SQSS%20Industry%20Governance%20Framework%20v1.0%20%2830-03-12%29.pdf>

¹² The Authority’s statutory duties are wider than matters which NGET must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

Reasons for our decision

We consider the NETS SQSS modifications proposed in GSR024 better facilitate NETS SQSS objective (i) and have a neutral impact on the other objectives.

(i) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner;

A new Electricity System Operator entity, NGENSO, is being established within the National Grid Group, that is legally separate from the transmission owner, NGET. The separation should allow the new ESO to play a more proactive role in managing an increasingly flexible electricity system, facilitating a more holistic and coordinated approach to planning and operating the transmission system, that can realise benefits for consumers. GSR024 proposes changes that are required to reflect the creation of the NGENSO. It also seeks to ensure that the appropriate obligations are with NGENSO as SO, and the TOs in accordance with the new NGENSO Transmission Licence and modified NGET Transmission Licence obligations.

For this reason, we consider that GSR024 better meets this objective.

Implementation

In this letter we have set out our decision to approve the changes to the NETS SQSS proposed in GSR024. For these changes to take effect we will need to modify the relevant conditions of the electricity transmission licence so they refer to the new version of the NETS SQSS. On 16 February 2018, we proposed such a modification to implement GSR018.¹³ Due to the upcoming arrival of further NETS SQSS modification proposals, e.g. GSR016, we decided, with the support of the NETS SQSS Panel, to delay the implementation of GSR018 such that multiple SQSS modifications could be implemented simultaneously. We intend to shortly consult on a new licence modification proposal in order to implement GSR018,¹⁴ GSR016,¹⁵ GSR023¹⁶ and GSR024 simultaneously.

Peter Bingham
Chief Engineer, Systems and Networks

Signed for and on behalf of the Authority

¹³ <https://www.ofgem.gov.uk/publications-and-updates/proposal-modify-electricity-transmission-licences-reflect-latest-version-national-electricity-transmission-security-and-quality-supply-standard-nets-sqss-0>

¹⁴ <https://www.ofgem.gov.uk/publications-and-updates/gsr018gc0077-sub-synchronous-oscillations>

¹⁵ <https://www.ofgem.gov.uk/publications-and-updates/gsr016-small-and-medium-embedded-generation-assumptions>

¹⁶ <https://www.ofgem.gov.uk/publications-and-updates/gsr023-clarification-applicability-n-1-1-criterion>