



Making a positive difference
for energy consumers

To all holders of an electricity interconnector licence, National Grid Interconnectors Limited, National Grid Electricity System Operator Limited and any other interested parties

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Dear stakeholders,

Decision on proposed modifications to the standard conditions of the electricity interconnector licence, the special conditions of the electricity interconnector licence held by NGIL and the electricity transmission licence held by NGESO

In July, we conducted a statutory consultation (the Consultation)¹ on proposed changes to the standard licence conditions (SLCs) of the electricity interconnector licence, the special conditions of the electricity interconnector licence held by National Grid Interconnectors Limited (NGIL) and the electricity transmission licence held by National Grid Electricity System Operator (NGESO). The proposed licence changes were required in order to:

- (a) align the standard conditions of the electricity interconnector licence with the Regulation (EU) 2019/943² on the internal market for electricity as part of the Clean Energy for all Europeans Package (the CEP Electricity Regulation); and
- (b) implement our decision³ on the approach to cost sharing and cost recovery under Regulation (EU) 2015/1222⁴ establishing a guideline on Capacity Allocation and Congestion Management Regulation (the CACM Regulation).

¹ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-modifications-standard-conditions-electricity-interconnector-licence-and-special-conditions-licences-held-ngil-and-ngeso>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0943&from=EN>

³ <https://www.ofgem.gov.uk/publications-and-updates/decision-approach-cost-sharing-and-cost-recovery-under-capacity-allocation-and-congestion-management-cacm-regulation>

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R1222&from=EN>

Following consideration of responses to the Consultation, we have decided to proceed with making these licence modifications. Notices of licence modification are attached at Appendix 1 to 3 of this letter. Our decision to make these licence changes takes effect from 11 December 2020.

Consultation responses

We received five responses to the Consultation. All non-confidential and have been published alongside this decision on the Ofgem website. We are pleased to note that respondents were generally supportive of our proposed changes. A summary of the points raised, together with our views on the points raised and whether they impact the licence drafting, is set out in Appendix 4.

Previous changes made by the Electricity and Gas (Internal Markets) Regulations 2020

We note that a limited number of changes previously made to the interconnector standard licence conditions by the Electricity and Gas (Internal Markets) Regulations 2020⁵ were inadvertently not reflected in the version of the interconnector licence standard conditions text we published in the Consultation. We have reviewed these previous changes and note that they largely align with, and do not materially impact, the changes proposed in the Consultation. The changes made by the Electricity and Gas (Internal Markets) Regulations 2020 are now reflected in the attached Schedule 1. For ease of reference, we have highlighted these previous changes in green in the attached Schedule 1.

Changes to licence drafting since the Consultation

We have made a small number of changes to the licence drafting following consideration of consultation responses and to correct minor typographical errors, these changes are summarised below:

Licence condition	Paragraph reference	Change to drafting proposed in the Consultation
SLC 1	Definition of the "Agency" Definition of the "Regulation"	We have withdrawn the changes we proposed to these definitions in the Consultation. The following definitions for the "Agency" and the "Regulation", as previously inserted by the Electricity and

⁵ The Electricity and Gas (Internal Markets) Regulations 2020 <https://www.legislation.gov.uk/uksi/2020/96/made>

		<p>Gas (Internal Markets) Regulations 2020 shall continue to apply</p> <p>“means the European Union Agency for the Cooperation of Energy Regulators established by Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators (recast)”</p> <p>“means Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast)”</p>
SLC 1B	Paragraph 5	Remove words “with effect” in order to correct a typographical error
SLC 9	Paragraph 5(b)	Reference to Article 19(2) of the Regulation in paragraph 5(b) of this condition has been expanded so as to also include reference to 19(3) which is also relevant
SLC 27	Definition of “Relevant Decision”	The date within the definition of ‘Relevant Decision’ has been amended to reflect the correct decision date of 30 August 2019
SLC 27	Paragraph 4	To avoid any potential ambiguity we removed the word “licensee’s” from paragraph 4(a) because value for the ICP may relate not only to the costs of the licensee but also to the costs of the relevant NEMO.
SLC 27	Paragraph 6	To avoid any potential ambiguity we removed the word “licensee’s” from paragraph 6 because value for the ICP may relate not only to the costs of the licensee but also to the costs of the relevant NEMO. We also added a cross-reference to paragraph 4.

		<p>In addition, to make clear that any determination of the ICP_n term by the Authority will not result in payments being due from an interconnector licensee to the GB electricity system operator.</p> <p>Overall, paragraph 6 has been amended as follows:</p> <p><i>“Following the cost assessment process, the Authority shall determine whether the licensee’s proposed values for the ICP_n term, submitted by the licensee pursuant to paragraph 4 of this condition, is acceptable and, if not, specify the value of the ICP_n term, such value to be not less than zero.”</i></p>
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Licence modification decisions

Modification decision notices together with relevant schedules have been published alongside this letter as follows:

Appendix 1 – Decision on modifications to the standard conditions of the electricity interconnector licence	Schedule 1 – Modifications to the electricity interconnector licence standard conditions
Appendix 2 – Decision on modifications to the special condition 1 of the electricity interconnector licence held by NGIL	Schedule 2 - Modification to special condition 1 of the electricity interconnector licence held by NGIL
Appendix 3 – Decision on proposed modifications to special condition 3B of the electricity transmission licence held by NGESO	Schedule 3 - Modifications to special condition 3B of the electricity transmission licence held by NGESO
Appendix 4 – Summary of consultation responses	

Next steps

Effective date of licence changes and Application of Section H directions

These licence changes will take effect from 11 December 2020. Once these licence change have come into effect, we will issue a Section H (Payments Between the Licensee and the

GB System Operator) Direction under standard condition 1B to relevant interconnector licensees. This is in order to bring the standard conditions in section H of the electricity interconnector licence into effect within those licences from the date and to the extent specified in the direction.

Consequential CUSC modifications

We now encourage NGENSO to bring forward, at the earliest opportunity, the necessary modifications to the Connections and Use of System Code (CUSC) to facilitate these licence changes with a view to ensuring that any CACM related payments that have been determined by the Authority as being due to relevant interconnector licensees may be processed in 2021.

If you have any questions in relation to this letter please contact Ikbal Hussain by email (ikbal.hussain@ofgem.gov.uk)

Yours sincerely,

Tom Corcut
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