

By email to:

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Date: 11 November 2016

Dear David

## **CMA EMI Remedies - Modified Draft Energy Market Investigation (Electricity Transmission Losses) Order 2016**

Thank you for the opportunity to provide comments on the Modified Draft Order and accompanying Draft Explanatory Note. This response is provided on behalf of National Grid Electricity Transmission plc (NGET). NGET owns the electricity transmission system in England and Wales and is the National Electricity Transmission System Operator (NETSO). Our response does not contain confidential information and we are happy for it to be published.

We note the obligations on us under our transmission licence and the Order and are committed to ensuring that these obligations are fully met. To this end, following the publication on 24<sup>th</sup> June of your Final Report on the Energy Market Investigation, we raised BSC modification P350 to begin the process of implementing the package of remedies relating to the Locational Pricing AEC.

We welcome the levels of engagement shown by the CMA since then – including the CMA attendance at recent P350 meetings – and look forward to this continuing as we believe that ensuring that P350 remains consistent with the contents of the Order is crucial to enabling full and timely implementation of the remedy. As per paragraph 40 of the Draft Explanatory Note, we will ensure that the CMA are kept updated regarding progress on the steps taken to comply with Article 5 of the Order (i.e. progress of P350) so that any potential issues can be highlighted at the earliest opportunity.

The importance of consistency between P350 and the Order is evidenced by the recent amendments made to the Draft Order reflecting interactions with the Government's Contracts for Difference scheme and also to clarify the situation around treatment of HVDC assets. Similar action will be required in the event that any other issues are brought forward as a result of this consultation process so as to mitigate any risk of delays to the progression of P350.

Our main concern regarding the detailed drafting of the Order is what happens in the event that P350 is not implemented by the required date of 1<sup>st</sup> April 2018. This may be considered unlikely given the current progress of P350 but, in that event, we welcome the recognition that we will need and should have made available to us support to be fully able to meet our obligations under Article 4. We therefore welcome the explicit clarification that Schedule 1 applies to both Articles 4.1 and 5.1 of the Draft Order; including confirmation that we may appoint third parties to carry out its requirements in both cases. We also welcome the explicit clarity in paragraphs 34 and 43 of the Draft Explanatory Note in this area.

In a similar manner, as well as the “step-in powers” established under Schedule 2, we welcome the amendments to generation and supply licences in Schedule 4 that ensure Schedule 1 is not constrained by the BSC in the event that P350 is not implemented by 1<sup>st</sup> April 2018.

Finally, paragraph 52 of the Draft Explanatory Note suggests that “currently, the Transmission Company does not expect the new HVDC circuit to be operational before 1 September 2017”. We would urge caution on this point as it is still possible that the circuit could commence operation before this and so potentially impact the P350 process carried out to take effect from 1<sup>st</sup> April 2018. This further highlights the importance of providing sufficient flexibility in the Order to allow the P350 legal text to appropriately consider the impact of HVDC.

If you have any questions regarding this response, or more generally, please contact either Alex Haffner or Angie Quinn in the first instance.

Yours sincerely,

Mark Tomlinson  
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