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Electricity Settlement Reform Significant Code Review: open letter on Design Working Group final report, proposed updates to governance structure and request for applications for membership of the Target Operating Model Code Change and Development Group and Architecture Working Group

Dear Anna,

We are writing in response to your open letter on the Design Working Group final report and proposed new governance structure for Phase 2 of the Target Operating Model (TOM) design. This submission is made on behalf of National Grid Electricity System Operator (ESO) and is not confidential.

We are comfortable with the updated governance structure proposed for the next phase of development work on the TOM since it builds on the original arrangements, which proved effective in supporting delivery of the TOM design work in Phase 1. We can understand the rationale for expanding the remit of the Design Advisory Board to include providing expert advice on wider programme developments and policy decisions relating to the Settlement Reform SCR and believe that feeding a strategic view in during the development phase will help support the creation of an enduring TOM that is able to adapt to future change in an evolving energy market.

The draft terms of reference for the Code Change and Development Group (CCDG) and the Architecture Working Group (AWG) are well-specified and give clarity on the objectives, scope and responsibilities for each of these industry groups. We are pleased to see that the Chair and Ofgem will have discretion to invite interested parties and outside experts to attend meetings and to contribute on an ad-hoc basis to support the work of these groups. As other industry parties are likely better placed than the ESO to take up full membership of the CCDG and AWG (based on the scope of the groups) we are not nominating potential formal members for your consideration.

As we understand there will likely be consequential impacts on other related areas in future we would however note that there will likely be a need for ESO involvement on an ad-hoc basis where there is a requirement for particular expertise. For example, we would expect to be involved where the more detailed development within the CCDG and AWG identifies any potential future impacts on charging activities or methodologies under the Connection and Use of System Code e.g. in relation to Balancing Services Use of System charges or Transmission Network Use of System charges, or identifies any changes which could potentially impact upon our charging and billing processes and systems as a consequence. At this point we can then share targeted expertise in a two-way exchange to help inform the development process and effectively contribute to the delivery of the terms of reference.

We would also take this opportunity to restate that the TOM development phase should continue to be mindful of ongoing developments relating to access and charging reform (given the close interactions and synergies across these projects) and Ofgem should continue to consider any further opportunities for appropriate use of the new data available in future.

If you would like to discuss our comments further or have any questions please contact Sarah York in the first instance at sarah.york@nationalgrideso.com.

Yours sincerely,



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