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Notification to change Use of System Charges for 2019/20

Dear Chris,

Condition C4 5(a) of National Grid's Electricity Transmission Licence requires National Grid in its role as Electricity System Operator (ESO) to give the Authority 150 days notice of any proposal to change Use of System Charges. This letter gives notice of our intention to change Use of System Charges for the 2019/20 financial year.

We will also update our Statement of Use of System Charges. This includes Application Fees and Charge-Out Rates for applications to connect to and/or use of system.

Transmission Network Use of System Charges

Transmission Network Use of System (TNUoS) tariffs will be amended with effect from 1 April 2019 in accordance with Section 14 of the Connection and Use of System Code (CUSC). Section 14 describes the methodology and principles by which National Grid in its role as ESO sets tariffs for TNUoS charges to recover allowed revenue.

The transport model used to calculate TNUoS tariffs will be amended to ensure tariffs reflect:

- Changes in network topography
- Use of the network by demand as advised by Distribution Network Owners and National Grid's own forecasts
- Use of the network by generation as advised by contracted Transmission Entry Capacity and National Grid's own forecasts

The tariff model for TNUoS tariffs will be amended to reflect:

- Latest forecast revenues for onshore Transmission Owners using licence formulae and the Price Control Financial Model Variables determined by the Authority in November.
- Anticipated payments to new and existing Offshore Transmission Owners.
- Payments to Transmission Licensees and Electricity Distribution Licensees under the Network Innovation Competition as directed by the Authority in November.
- Limits on average annual generation charges under Commission Regulation (EU) 838/2010.

Expected TNUoS tariffs for 2019/20

National Grid published an initial view of TNUoS 2019/20 tariffs in our December 2018 five-year forecast. These have been updated periodically with the latest forecast published on 29 June 2018.

Draft tariffs will be published by the end of November 2018 and final tariffs by 31 January 2019 in line with CUSC requirements.

Application Fees and Charge-Out Rates

Our Statement of Use of System Charges also details fees and charge-out rates for applications to connect to and/or use of system. National Grid in our role as ESO will update these fees and rates incorporating the latest data from each of the Transmission Owners (including NGET), and adjust for our own updated staff costs and inflation.

Legal Separation

In January 2017, National Grid, BEIS and Ofgem issued a tri-partite statement alongside Ofgem's consultation on the future role and structure of the SO. These documents set out an objective to create a more independent Electricity System Operator (ESO) with the scope for separation as being primarily between the ESO and National Grid Electricity Transmission (NGET).

In September this year, the Authority consented to NGET's request to the partial transfer of NGET's transmission licence to a new and separate legal company National Grid Electricity System Operator (NGESO) under section 7A of the Electricity Act 1989 (as amended). These changes will be effective from 1st April 2019 and as such the processes outline in this letter will be undertaken by NGESO and National Grid Electricity Transmission (NGET) will issue its own Basis of Transmission Owner Charges Statement in line with each respective licence.

If you have any questions on any of the above, please do not hesitate to contact me.

Yours sincerely



Paul Wakeley
Revenue Manager

cc. Frances Warburton