

Electricity System Operator and Electricity Transmission Owner separation

Update for those who pay securities

Background

In 2017, backed by BEIS and Ofgem, we announced that we would be creating a legally separate Electricity System Operator (ESO), as part of the National Grid Group, in April 2019.

Over the past year and a half, we have been working to create the systems, processes and physical environment that will allow the ESO and Electricity Transmission (ET) organisations to operate as legally separate companies.

Connection and Use of System Code

The Connection and Use of System Code requires you to maintain securities with National Grid for Transmission Connection Assets (pre-commissioning, post-commissioning) and for TNUoS and BSUoS charges.

As a result of legal separation, there will be some changes to the way in which you do this and as you will shortly be putting in place securities which apply after 1 April, this note outlines what actions you need to take with your existing and future securities that continue past 1 April 2019.

New or Existing Securities for Pre-commissioning, Post-commissioning and Transmission Connection Assets

The Bi-annual securities process for Pre- commissioning, post-commissioning and Transmission Connection Assets will largely remain the same, however security statements which are due to be issued by 15 January 2019, and which come into force from 1 April 2019, will be issued in the name of ESO as the new entity.

Customers will be required to check that all security arrangements valid from 1 April 2019, including letters of credit, performance bonds and parent company guarantees, are made to 'National Grid Electricity System Operator Limited' and no longer National Grid Electricity Transmission plc (NGET).

The beneficiary of these security documents must be 'National Grid Electricity System Operator Limited' and no longer 'National Grid Electricity Transmission plc (NGET)'.

Whilst the security values are not yet available, we wanted to provide additional notice for you to make any preparations to move new or existing securities into the name of the new entity.

Your Connection Contract Manager will be in touch with you before 15 January 2019, with details of your securities from 1 April 2019.

Note that any cash held in escrow will be novated across from NGET to National Grid Electricity System Operator Limited without your intervention.

Updated Security Templates

Templates for parent company guarantees, performance bonds and letter of have been updated to include our new company number and registered address and can be found on the link below under policies and guidance.

<https://www.nationalgrideso.com/connections/registers-reports-and-guidance>

ESO Bank Account Details

We previously said that there might be a change in bank account details in order to continue paying NGESO. We can now share that there will be no change to the account number into which you pay securities. The existing bank account for NGET is being novated to become the account for National Grid Electricity System Operator Limited which should eliminate the chances of payments made to the wrong account.

If you need a reminder of the account details please do not hesitate to ask your National Grid Connections Contract Manager, otherwise they will be referenced on any invoice or security statement you receive.

This also applies for payment of invoices for charges, and direct debits. We will confirm further details about this in the new year.

Securities for TNUoS and BSUoS

Securities for Transmission Network Use of System (TNUoS) and Balancing Services Use of System (BSUoS) will be calculated and communicated to customers ahead of the security period that starts on 1 April 2019. Securities for this period will need to be placed with National Grid Electricity System Operator Limited.

Our Business Services team will be in touch with you as part of the usual process to make sure you have the right securities in place, held in the right name.

Securities for the period starting on 1 January 2019, which have already been communicated to customers should be placed using the existing arrangements.

For queries on TNUoS and BSUoS securities please contact otc.securitiesandrisk@nationalgrid.com, or tnuos.queries@nationalgrid.com.

Any questions

Don't forget if you have any questions relating to separation or specifically securities please ask your National Grid Connections Contract Manager or write to us at: transmissionconnections@nationalgrid.com