

Industry Participants
& Interested Parties



23 April 2010



Dear Colleague,

SQSS Fundamental Review Update & Consultation Report

On behalf of the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS) Review Group, I am pleased to advise that the *SQSS Fundamental Review Update & Consultation Report* is now available online at:

www.nationalgrid.com/uk/Electricity/Codes/gbsqsscode/fundamental/April+2010+Consultation/April+2010+Consultation.htm

The report presents the findings of a very significant amount of analysis over the past 18 months, and proposes a number of modifications to the NETS SQSS which will further enhance the efficiency with which the NETS is developed and operated. The proposed findings would also accelerate the rate at which new generation can be connected, improve consistency throughout Great Britain, and ensure a secure and high quality electricity transmission service to industry participants. I encourage you to read the report and relate any comments or concerns back to the SQSS Review Group via the mechanisms described in the report by **21 May 2010**. Feedback provided during the consultation period will be taken into consideration by the SQSS Review Group when making its resulting recommendations to Ofgem.

This consultation is the first element of the workplan I outlined in my open letter to the industry on 30 March 2010 (also available online at the address listed above). Analysis continues into the impact of high volumes of wind generation on the optimal capacity of MITS boundaries, and the findings of this work will be the subject of a separate report and consultation to be published in June 2010. Additionally, we continue to work with Ofgem to support their assessment of increasing the largest infeed loss from 1320MW to 1800MW.

Following on from this consultation and the other 'phase one' activities, the SQSS Review Group will look to addressing some of the longer term challenges facing the industry by:

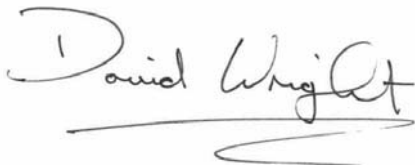
- developing new SQSS governance arrangements in the second half of 2010 to reflect developments in offshore transmission networks, and
- establishing a comprehensive program of assessment to consider the more complex and fundamental aspects of the SQSS review, including:

- balancing security of supply with economics, deterministic with probabilistic standards
- the risks and potential costs associated with low-likelihood but high impact cascading faults
- how best to incorporate a massive growth in demand side management as electric vehicles and heat become more prevalent as we approach 2020
- the implications of other industry initiatives, such as Ofgem's RPI-X@20 review, and
- procedures for deciding the inputs to transmission investment cost-benefit analyses, including consideration of observable market signals.

Given the fundamental nature and wide-ranging impact of some of the issues that will need to be considered, this process will be supported by a significant customer engagement process which all we plan to undertake in conjunction with the forthcoming Transmission Price Control Review. Your feedback will play an important role in ensuring that the MITS SQSS continues to serve the needs of all of its stakeholders.

I look forward to receiving your feedback regarding the Fundamental Review Update and Consultation Report, and your ongoing input into future consultations.

Yours sincerely



David Wright, SQSS Review Chairman

Review Group Members:

David Wright	National Grid
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Cornel Brozio	Scottish Power
David Carson	Scottish Power
Ian Gilbert	National Grid
Andy Hiorns	National Grid
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