

Bridget Morgan
Technical Directorate
Office of Gas and Electricity Markets (Ofgem)
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London
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25 November 2003

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Dear Bridget,

**The Grid Code under BETTA
September 2003**

Thank you for the opportunity to respond to this consultation. This response is submitted on behalf of ScottishPower UK Division, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

ScottishPower UK Division continues to support the introduction of BETTA on the basis that it includes satisfactory proposals for (a) transmission charging and losses in a GB market; (b) treatment of the restructuring contracts set up in Scotland as part of the privatisation arrangements and (c) the division of responsibilities between the GBSO and the Transmission Owners (TOs).

While this consultation forms a key part of the BETTA proposals, it must be recognised that there is a strong inter-relationship between it and the recently issued consultation on the treatment of small generators and the 132kV network. Given the very short period while both have been available we must reserve our position pending full consideration of the overall technical and commercial environment which is being proposed for small generators. Our comments in this response should be read in that context.

Nonetheless, we welcome the opportunity to state our views on the issues under consultation. The executive summary of the response contains the key messages; these are then elaborated upon in the subsequent main body of the response.

I hope that you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

Mike Harrison

Commercial Manager, Trading Arrangements
ScottishPower Energy Management Limited

EXECUTIVE SUMMARY

ScottishPower UK Division welcomes the opportunity to comment on the latest proposals for the GB Grid Code.

ScottishPower UK Division is disappointed at Ofgem/DTI's proposals regarding the MW levels for data requirements under BETTA. To apply different definitions of small, medium and large power stations in each transmission licence area is the antithesis of a market with a single set of trading and transmission arrangements, is clearly discriminatory, and is contrary to the opinion expressed to the Trade and Industry Select Committee by DTI that *“where generators are undertaking the same activity, merely in a different part of the country, they should be treated in a non-discriminatory way.”* Whilst it may be necessary to recognize issues associated with local network characteristics we believe that this should be done by individual agreement, not through the specification of blanket geographical requirements.

ScottishPower UK Division continues to believe that the framework of industry codes is too fragmented and that the transmission arrangements under BETTA are being made over-complicated by Ofgem/DTI's insistence that the GBSO is the sole contracting party for system users. It is a fundamental requirement of BETTA that the interests of users of the non-affiliated TOs' networks are not jeopardised by the contractual arrangements. Coordinated change control between the SO/TO Code and the user-facing codes is therefore essential.

ScottishPower UK Division continues to believe that the option to register as Cascade Hydro Units hydro-electric generating units which are closely coupled on the hydraulic side, but separately connected to the electrical network, should be retained.

We believe that it would be helpful if Ofgem/DTI could produce a cross-referenced Scottish Grid Code with a commentary on the conversion of the existing Scottish provisions to the future GB provisions.

ScottishPower UK Division continues to believe that there is a need to establish a “BETTA Date” in relation to the applicability of certain obligations under the various GB codes to pre- and post-BETTA connections.

THE GRID CODE UNDER BETTA - SCOTTISHPOWER UK DIVISION RESPONSE

1 MW Levels for Data Requirements

- 1.1 ScottishPower UK Division is disappointed at Ofgem/DTI's proposals regarding the MW levels for data requirements under BETTA. To apply different definitions of small, medium and large power stations in each transmission licence area is the antithesis of a market with a single set of trading and transmission arrangements, is clearly discriminatory, and is contrary to the opinion expressed to the Trade and Industry Select Committee by DTI that "*where generators are undertaking the same activity, merely in a different part of the country, they should be treated in a non-discriminatory way*¹." The comprehensive and detailed proposals contained in this paper appeared to pre-empt any further discussion of the treatment of small generators under BETTA in the long awaited consultation paper on that subject. The content of that paper, published shortly before this consultation closed, confirmed our fears that small generators in Scotland will be at a disadvantage under BETTA relative to their competitors in England and Wales. We will of course respond separately to the small generator consultation. For the moment however, we wish to make it clear that our comments on the Grid Code are subject to further consideration of the overall technical and commercial environment which is being proposed.
- 1.2 The Ofgem/DTI proposals regarding MW levels seem to be based on two premises, that small generators in Scotland are already subject to these arrangements, and that they need to be subject to these arrangements under BETTA. Neither of these arguments withstands scrutiny.
- 1.3 In the first place, whilst all generators in Scotland are bound in to the Grid Code through either their transmission connection agreements or through the Distribution Code, the provisions of the Grid Code are subject to "as otherwise agreed" clauses such that, in respect of information requirements for instance, "*it may be possible to relax certain requirements on a temporary or permanent basis*²." Appropriate arrangements can therefore be put in place with each individual generator. What is proposed here appears to be a blanket application of the more onerous of either the England and Wales or Scottish Grid Code provisions.
- 1.4 Secondly, the paper argues that these provisions are required because of the physical characteristics of the transmission network, and especially of the 132kV network, in Scotland. Ofgem/DTI have not acknowledged that one of the main differences between the Scottish networks and the NGC network is their system control strategies. In both the Scottish networks the system operator is required by the British Grid Systems Agreement to control the generation/demand balance to a defined standard of inter-network transfer error, whereas NGC despatches England and Wales generation to minimise system frequency error. Clearly, a finer degree

¹ Government response to the Trade and Industry Committee's Fifth Report of Session 2002-3 (HC 468-1)

² Scottish Grid Code, Preface, paragraph 5.1

of control is required on a smaller network than a larger one; hence the lower central despatch limits in Scotland. Under BETTA the control strategy for the entire GB network will be to manage system frequency. Under this strategy, the equivalent of the central despatch limit relates to the GB-wide generation/demand balance and can be the same on all parts of the network. The distinctions which Ofgem/DTI seek to maintain are unnecessary.

- 1.5 In any case, the logical conclusion of Ofgem/DTI's argument about the physical characteristics of the network would be, as now, the ability of the network operator and the generator to agree which conditions need to be applied in specific circumstances and which need not be. Indeed, this appears to be the view of DTI. When responding to the TISC, DTI stated "*We also believe that the treatment and definition of a particular piece of the network should be based on what that piece of the network is used for*³." It seems to us to be illogical to conclude, as has been done here, that a blanket geographical definition is the best way to deal with issues associated with local network characteristics. Such a conclusion could result in a 90MW station on a relatively weak section of 132kV distribution network in rural Wales being treated quite differently from, and less onerously than, a 9MW station on a relatively strong section of 132kV transmission network in the north of Scotland. Furthermore, we do not support the continued extension of the reach of the GBSO to smaller and smaller generating plants. Quite apart from the practical difficulties caused by the magnitude of the control task, such an arrangement seems to be inconsistent with a future in which generation will be widely distributed across networks of all voltage levels.
- 1.6 ScottishPower UK Division supports Ofgem/DTI's view that it would be simpler to have a single set of MW levels across the whole of GB and would urge Ofgem/DTI to implement such an arrangement, with the possibility of agreement of more onerous arrangements where these are clearly justified, at the start of BETTA. To implement regional blanket arrangements under which, as suggested in paragraph 4.99, the only possible relief will be where this results in "unsurmountable difficulties" rather than, for example, where this results in a potential distortion of competition (and then only for licensed generators) is unsatisfactory. Nor is it satisfactory to impose the conditions and subsequently relax them, as suggested in paragraph 4.100, as any costs of compliance will already have been incurred, unnecessarily, further weakening the Scottish generator relative to England and Wales competitors.
- 1.7 As for the notification level for consumption BM Units, proposed to be 5MW (paragraph 6.64), this is a particular example of the control strategy/despatch limit arrangements discussed above and was appropriate for the transfer control strategy between networks which supplied large amounts of dynamically controlled radio teleswitched demand. As the concept of interconnector transfer control will disappear under BETTA there is no reason to retain the 5MW notification level for demand in Scotland; a harmonised level of 50MW across GB will be satisfactory.

³ As footnote 1

- 1.8 As regards the definitional issues surrounding the introduction of directly connected small and medium power stations, care will be required to ensure that any obligations on gensets are not applied unnecessarily to small generators which are bussed before connecting to the transmission system through a single connection point.

2 Change management between the STC and GB Grid Code (and between the STC and other user-facing industry codes)

- 2.1 ScottishPower UK Division continues to believe that the framework of industry codes is too fragmented and that Ofgem/DTI's preferred structure for BETTA makes matters worse. We continue to be concerned that the transmission arrangements are being made over-complicated by Ofgem/DTI's insistence that the GBSO is the sole contracting party for system users. This approach leads to a contractual chain through the GBSO between the Scottish system users and the TO to whose network they are connected. That the user is dependent on the satisfactory maintenance of this chain of rights and obligations makes it imperative that changes to the STC and the appropriate user-facing code are carefully coordinated, a problem which would be avoided if the TOs were also parties to the user-facing agreements. While it would appear that the best way of ensuring satisfactory coordination of the changes is to place an obligation on the GBSO, as the only common party, to procure that the codes are kept in step, we are concerned that this would further consolidate NGC's position as controller of the change process within the industry framework documents.
- 2.2 The ScottishPower response to the DTI consultation *Strengthening the transparency and accountability of the gas and electricity code modification process, April 2003* stated:

“As a general observation, we believe that the modification process of the one code which has an independent secretariat, the BSC, has the most open, fair, and transparent modification process up to the point where the industry reaches its decision. Those codes which are managed by a party with an interest in the outcome are less satisfactory in this regard. ... The consultation refers specifically to the BSC, CUSC and Network Code. There are other industry documents whose governance should also be reviewed. Two, the MRA and the SAS, already have industry governance with independent secretariats. Others, such as NGC's Balancing Principles Statements, Procurement Guidelines and Charging Methodologies do not. We believe that the industry would benefit if these documents were brought under industry governance with independent secretariats. The number of such secretariats should be minimised, but it is not clear at this stage what the optimum number and grouping of documents would be. ... As noted above, there are many separate documents within each of the gas and electricity industries, each with its own governance arrangements. Change to one often impacts on others. The inability to consider holistically any proposed changes which impact on more than one code leads to frustration and inefficiency. We believe that the documents should either be

consolidated or suitable arrangements introduced to allow change to be progressed efficiently across multiple documents.”

- 2.3 Our views have not changed since then and, as noted above, we believe that the proposed arrangements for BETTA can only make things worse.
- 2.4 In paragraph 4.22 of the current consultation paper, Ofgem/DTI state that “*the only changes that can be introduced under BETTA are those that are necessary as a result of the creation of the STC...*” While this is certainly in accordance with the philosophy of minimum change for BETTA, Ofgem/DTI continue “*any change coordination issues that arise between the GB Grid Code and other industry documents will be no different to those that arise today.*” The implication of this statement is that the current arrangements are satisfactory. ScottishPower UK Division does not accept that this is the case and, while welcoming the Government’s commitment to putting in place an appeal mechanism for certain Ofgem decisions, is somewhat disappointed that no action is to be taken to consolidate the contractual framework and streamline the governance processes.
- 2.5 As regards the immediate issue raised by the creation of the STC, it is a fundamental requirement of BETTA that the interests of users of the non-affiliated TOs’ networks are not jeopardised by the contractual arrangements. Coordinated change control between the STC and the user-facing codes is therefore essential.

3 Cascade hydro stations

- 3.1 ScottishPower UK Division continues to believe that the option to register as Cascade Hydro Units hydro-electric generating units which are closely coupled on the hydraulic side, but separately connected to the electrical network, should be retained. We note that Elexon have recently enquired of prospective Scottish participants whether any non-standard BM Unit and Trading Unit configurations will be required under BETTA. We would ask that the Grid Code arrangements in this respect should not be finalised until after the Elexon work has been concluded.

4 Presentation of draft text

- 4.1 We note that Ofgem/DTI propose to publish the next draft text of the GB Grid Code as a change-marked version of the then existing England and Wales Grid Code. Leaving aside the fact that the next draft cannot sensibly be produced until the issues surrounding small generators in Scotland have been addressed, we believe that it would be helpful if Ofgem/DTI could also produce a cross-referenced Scottish Grid Code with a commentary on the conversion of the existing Scottish provisions to the future GB provisions. It may also be helpful to hold a seminar on this topic.

5 “BETTA Date”

- 5.1 ScottishPower has argued in previous BETTA consultation responses that there is a need to establish a “BETTA Date” in relation to the applicability of certain

obligations under the various GB codes. This date would then be used to classify plant/apparatus as pre- or post-BETTA in the same way as is done for Vesting and NETA and, as discussed in paragraph 6.2.8, for the date of 1 January 1999. We continue to believe that such a definition is necessary to allow clear definition of the obligations on pre- and post-BETTA connections.

6 CC7.1

- 6.1 We do not believe that anything will be lost by excluding CC7.1 from the GB Grid Code.

7 Definitions

- 7.1 We believe that the correct translation of the definition “NGC Demand” would be “Transmission System Demand”.