

National Grid Transco

Response to OFGEM/DTI Open Letter on BETTA Legal Drafting for the GB CUSC - Small Generator Issues (July 2004)

Introduction

1. We welcome the opportunity to comment on the OFGEM/DTI open letter regarding BETTA Legal Drafting for the GB CUSC - Small Generator Issues ("the open letter")

Overview

2. This response examines the proposal put forward by OFGEM to amend CUSC paragraph 6.29 which removes the obligation on Licence Exempt Transmission Connected Generation to be a party to the Balancing and Settlement Code (BSC) in the case where another party assumes responsibility for the licence exempt generators output under the BSC. We note and welcome OFGEM's stated aim that such a change should not affect the licence exempt transmission connected generator's other obligations under the CUSC and Grid Code.
3. Whilst we have no fundamental objection to the removal of such an obligation from licence exempt transmission connected generation, we believe that the change proposed by OFGEM could lead to further ambiguities within the Codes. Our primary concern is that the proposed change introduces ambiguities with the obligations placed upon the licence exempt transmission connected generator by the Grid Code.
4. The Grid Code places certain obligations on a **BM Participant**. BM Participant is defined under the Grid Code as

"A person who is responsible for and controls one or more BM Units. For the avoidance of doubt, it does not imply that they must be active in the Balancing Mechanism"
5. Under OFGEM's proposal a licence exempt transmission connected generator could have one party physically controlling the unit whilst a separate party is responsible for the unit under the BSC. This could be interpreted such that neither party falls under the category of a BM Participant and potentially the obligations placed upon a BM Participant by the Grid Code would not apply to the licence exempt transmission connected generator. Another possible interpretation would be that in fact both the party that owns **and** the party that operates the licence exempt transmission connected generator are responsible for the obligations placed upon the licence exempt transmission connected generator by the Grid Code although the party with the contractual obligation to NGC is the licence exempt transmission connected generator.
6. Clearly this would be a less than desirable aspect of OFGEM's proposed change and in line with OFGEM's stated aim NGC would not wish to see any lesser Grid Code obligations placed upon the licence exempt transmission connected generator or any additional complexity or confusion introduced into the roles under the Grid Code, in particular in terms of where real time instructions were sent. NGC therefore believes that further code changes would be required to

maintain or clarify the current Grid Code obligations should OFGEM's proposed change be introduced. Specifically such code changes should serve to clarify who would be responsible for the obligations under the Grid Code that are presently applicable to a BM Participant in the case of a licence exempt transmission connected generator.

7. One option would be to clarify within the BSC whether it is the BM Unit registrant that assumes the role of the BM Participant under the Grid Code or whether the operator of the BM Unit would assume the role of the BM Participant. If the BM Unit registrant, this would require some contractual link between it and NGC. A further option, our preference, would be to modify the Grid Code in order that the definition of BM Participant was such that notwithstanding that another party was registered as responsible for the BM unit under the BSC the obligations in respect of the BM Participant under the Grid Code rested with the licence exempt transmission connected generator.
8. It is NGC's view that the second option to make changes to the Grid Code would be more appropriate. We also believe that it would be most appropriate for the Grid Code obligations to be placed upon the operator of the licence exempt transmission connected generator. This is because we believe that the operator of the licence exempt transmission connected generator will have the more direct Real Time operational role and is likely to be better placed to discharge the relevant Grid Code obligations in relation to a BM Participant. The role of the BM registrant would then be administrative in terms of the BSC rather than operational and the BM registrant and the licence exempt transmission connected generator could cover any consequences in the contractual arrangements between them.

Potential Charging Methodology Changes

9. We note OFGEM's statement that consequential Charging Methodology changes may be required as a result. Currently, under the methodology charges are levied by reference to the Lead Party of the BM Unit who by the existing routes would have a connection or use of system agreement with NGC. Our initial view is that if the Lead party is no longer the party with whom we have an appropriate agreement, then we will need to place the equivalent charging obligations directly upon the licence exempt transmission connected generator who would then need to manage this in its contractual arrangements with the BM registrant. We anticipate discussing this issue further in our forthcoming consultation on the GB charging methodology.