National Grid Transco

Treatment of Embedded Exemptable Large Power Stations under BETTA: An Ofgem conclusions and consultation on Code changes (January 2005)

Introduction

1. We welcome the opportunity to comment on 'Treatment of Embedded Exemptable Large Power Stations under BETTA: An Ofgem conclusions and consultation on Code changes - January 2005' (the consultation).

2. Our response is set out in the three parts below. The first part provides our general observations on the whole consultation, whilst the second section covers Ofgems conclusions on specific issues and further proposals. The third part provides some detailed comments on the legal text contained in the appendix to the consultation.

Comments in relation to the consultation

3. In general we agree and support the conclusions made by Ofgem in both this consultation and the November 2004 document.. In particular, that all Embedded Exemptable Large Power Stations should be required to comply with the relevant sections of the Grid Code; and connection should be contingent on the required infrastructure works being completed; and that the CUSC provides the appropriate contractual relationship to establish these requirements.

4. We agree that in certain circumstances additional time should be given for EELPS and NGC to enter into any associated arrangements for the provision of ancillary services.

5. We agree, subject to the conditions contained in the consultation, that those EELPS required to choose between a BEGA and a BELLA prior to go-live should be given an opportunity to switch between the options without affecting their place in the 'queue' for the purposes of determining any contingent infrastructure under Licence condition C18.

Comments on Ofgem's views and conclusions

6. We agree that although the CUSC framework is perceived to be unwieldy and designed for transmission connected generation that it is an appropriate framework for EELPS given the proposed changes detailed in Appendix 2 to the consultation. However, from its introduction the CUSC has been applied to relevant embedded generators in England and Wales and therefore it is not designed solely for transmission connected generation. Any contractual arrangement has to contain a number of 'boilerplate' requirements, such as liabilities, definitions, third party rights, force majeure etc, and these form the main body of the CUSC. The CUSC also provides for a mechanism for governance that all CUSC parties have the rights to participate in. Clearly, any

bilateral contract NGC enters into would need to contain similar requirements and therefore much of the CUSC would need to be replicated.

7. We agree that EELPS have the potential to have a significant impact on the transmission system. This is obviously so on local 132kV transmission system flows, but will also affect the wider system, particularly under constrained conditions. EELPS will also have the potential to affect the quality of supply provided to Users connected at other transmission connection points i.e. voltage and dynamic stability.

8. NGC agree that it is important that Generators owning EELPS enter in to the CUSC framework agreement and that a 'best endeavours' obligation on both TOs and DNOs is consistent with this.

9. NGC agrees that a derogation process that transparently establishes a unit's non-compliance is appropriate. Clearly, there may be legacy issues and we would expect these to be considered in the assessment of any derogation.

10. The obligations on EELPS are substantially the same under both Grid Codes, although there are differences that are a direct consequence of the change in the market, notably, the requirements associated with the Balancing Code and the provision and payment mechanism for ancillary services. These differences have been recognised by Ofgem and Ofgem are proposing some flexibility in how these are applied or introduced. We are comfortable, providing all essential information and services are available to ensure the security and safe operation of the system, with Ofgems proposals on this matter.

11. We agree that the primary purpose of the BELLA is to enable NGC to maintain a safe and secure system. This has two main aspects; firstly, ensuring that all generation that could affect the security and safety of the system is required to comply with the relevant sections of the Grid Code. Secondly, ensuring that the system is not put at risk by generation connecting in advance of any required works being completed. Without the proposed provisions in the BELLA to achieve this, more significant changes to the industry framework, such as the licensing regime and planning and security standards would be required. In the absence of these changes, and in order for NGC to be comfortable it complied with the transmission licence, NGC would be required to seek derogations from the planning and security standards and the Grid Code. We believe the derogation approach would result in a less secure system for all users.

12. Noting the development of generation in Scotland and the significant change to the market through introducing BETTA we recognise that some units that may not have submitted data under the Scottish scheduling codes will be required to submit data under the Balancing Codes. The Grid Code and BELLA drafting associated with the consultation does allow NGC and the User sufficient flexibility to ensure only the minimum necessary information under the balancing codes is submitted.

13. NGC agrees with Ofgem that it is important to maintain the trading options currently available in England and Wales. The proposals in relation to a BELLA

do not require the generator to register in the BSC, but as in England and Wales, that the unit must be accounted for in the BSC. NGC notes that the BSC already contains the flexibility to register an additional Supplier BMU containing a single EELPS with SMRS metering.

14. NGC agrees that allowing an EELPS to connect to the DNO system without any recognition of the impact on the transmission system would place NGC in breach of it transmission licence. It would also affect NGC's ability to maintain a safe, secure and economic system, and lead to larger generators or those connected at 132kV with agreements being discriminated against.

15. Ofgem's proposals will enable NGC, TOs and DNOs to co-ordinate developments between the distribution and transmission system to meet the needs of all Users in non discriminative manner.

16. We agree that in order for the TOs to plan economically and comply with their transmission licence that they should be able to specify site specific technical conditions on EELPS, recognising that these are imposed through a contractual arrangements with NGC and subject to an appropriate referral mechanisms.

17. We agree with the proposal, subject to the restrictions in the consultation, that EELPS should be able to switch between and BEGA and a BELLA and that this should not affect their position in the 'queue'. Also, that additional time may be required to put in place ancillary services agreements (providing they are not essential for go-live or any period shortly after go-live).

18. We note Ofgem's suggestion that certain parties should be given additional time to show compliance with Grid Code obligations and enter into MSAs. We support this providing the Authority discusses each with NGC to establish the system impact prior to granting. We note that due to historical custom and practice under the Scottish Grid Code arrangements this process may need to be extended to cover a number of other areas of the Code, e.g. the provision of certain Planning Code information and other areas of Connection Condition compliance on older generators.

19. The EELPS framework does not cover Medium Power Stations in SP's area. We believe that the temporary Grid Code arrangement discussed above should be extended to Medium Power Stations in SP's area. We note that the provisions of the Grid Code in respect of Medium Power Stations is currently under review and we would expect the arrangements developed under that review would replace any temporary arrangements.

Comments on the detailed drafting in the appendix

20. As currently drafted Appendix 4 of Schedule 3 to the CUSC expressly deals with metering for reactive for a non-BMU participant, which includes many EELPS, and requires metering to be installed. We suggest the following change that would allow NGC to agree whether such metering was required:

'3 Other Plant and /or Apparatus (or other equipment)

In all other cases not covered by paragraph 2, unless otherwise agreed in writing by NGC, the following shall apply:…..'

21. The definition of Operational Notification refers to CUSC 3.2.6, this should be expanded to include CUSC1.5.5 which also uses this term.

22. CUSC1.6.2 should have ', pursuant to section 7(3)(c) of the Act,' added after 'the Authority may'.

23. CUSC 1.6.3, given this is covered in the draft form of the BELLA, we would suggest it need not be covered expressly here.

24. The second paragraph of CUSC 4.1.1 has no explicit numbering, suggest 4.1.1 could become 4.1.1.1 and then the second paragraph becomes 4.1.1.2.

25. CUSC 6.5.1 (b), It would be useful to clarify in the text where exactly the contingent infrastructure works will be defined. Clearly, in the case of a BELLA any construction agreement would be with the DNO. Therefore we suggest that the BELLA explicitly includes a list of the transmission reinforcement works and the definition of 'transmission reinforcement works' be extended to include the works identified in the BELLA .

26. Exhibit X BELLA appendix, paragraph1, we would suggest 'National Grid Company plc' be added at the start.