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Dear Colleague

Embedded Exemptable Large Power Stations connected to Islanded Distribution

In February 2005, Ofgem¹ concluded² upon the changes to the BETTA legal framework in relation to the treatment of Embedded Exemptable Large Power Stations (EELPS). The essential features of the changes were:

- a Connection and Use of System Code (CUSC) obligation on distribution system owners or operators to use their best endeavours to procure that EELPS accede to the CUSC framework agreement
- an SO-TO Code (STC) obligation on transmission owners to use their best endeavours to procure that EELPS accede to the CUSC framework agreement
- an obligation on EELPS to enter into a bilateral agreement of an appropriate form with NGC, and
- obligations on the EELPS to comply with a number of technical provisions of the Grid Code applying to Large Power Stations.

The EELPS proposals were introduced essentially because EELPS can and in some cases do, have an impact on the transmission system, and it was therefore considered appropriate for EELPS to be subject to arrangements that provide for the safe and secure operation of the transmission system under BETTA. More detail on the conclusions may be found in the February 2005 conclusions document.

In developing the EELPS proposals, Ofgem did not, however, take into account the fact that some parts of the distribution system (e.g. in Shetland) are not connected to the transmission system. Ofgem accept that it is not possible for a generator connected in such a manner (i.e. to a distribution system that is not itself directly or indirectly connected to the transmission system) to have an impact on the transmission system and consequently, Ofgem does not

¹ Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000. The terms "Ofgem" and "the Authority" are used interchangeably in this document.

² Treatment of Embedded Exemptable Large Power Stations under BETTA. Ofgem conclusions on code changes. Ofgem, February 2005. Ofgem # 55/05.

believe that it would be necessary for the EELPS changes under BETTA to apply to such generators. Consequently, Ofgem believes that it is appropriate to amend the legal framework to remove the EELPS obligations in respect of islanded generators. Ofgem believes that it would be appropriate to amend the changes made to the legal framework for EELPS as follows to achieve this objective:

- Where the EELPS is embedded in part of a distribution system that is not connected to the GB transmission system, remove any obligation on the distribution system owners or operators or transmission owners to procure that the EELPS accedes to the CUSC framework agreement
- Modify the new CUSC obligations relating to EELPS essentially to clarify that they do not apply in relation to EELPS that are embedded in systems not connected to the GB transmission system (the drafting in Appendix 1 identifies those elements which it is proposed should not apply to such EELPS).

Code changes

Appendix 1 to this document sets out the changes to the CUSC and STC that Ofgem proposes to make to give effect to the above. Subject to a consideration of the consultation responses, Ofgem proposes to give effect to these changes in accordance with standard conditions C10 (8) (d)³ and B12 (7) (g) of the electricity transmission licence granted to NGC under Section 6 of the Electricity Act 1989 (the "Transmission Licence"). These licence conditions permit the Authority to direct NGC to make changes to the CUSC and STC in relation to the matters set out in this letter where the Authority considers it necessary or expedient for the purposes of implementing BETTA.

Timetable and views invited

Views are invited on any of the issues raised in this letter. Responses will be published on the Ofgem website and held electronically in Ofgem's Research and Information Centre, unless there is good reason why it must remain confidential. Respondents are asked to put any confidential material in appendices, such that the main body of the response can still be published. All responses will be copied to the DTI. Responses, marked "Embedded Exemptable Large Power Stations connected to Islanded Distribution", should be sent by 14th March 2005. Ofgem would prefer responses to be sent by email to; BETTA.consultationresponse@ofgem.gov.uk, but responses can also be posted to:

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If you wish to discuss any aspect of this document, please contact Richard Haigh by emailing Richard.Haigh@ofgem.gov.uk, or telephoning 020 7901 7487.

³ See paragraph 2 of the Appendix to Section 12 of the CUSC.

Appendix 1 – Proposed Code Changes

CUSC

Add in a new paragraph 1.2.9:

- 1.2.9 Notwithstanding any other provision of this **Code**, where a **User** owns or operates an **Exemptable Embedded Large Power Station** which is **Embedded** in part of a **Distribution System** or the **System** of any other **User** where and to the extent that such part of the system in which the **Exemptable Embedded Large Power Station** is **Embedded** is not directly or indirectly connected to the **GB Transmission System**, that **User** need not comply with paragraphs 1.3, 1.5, 6.3.6 and 6.3.7 in respect of that **Exemptable Embedded Large Power Station**.

Add in a new paragraph 6.5.1(d):

- (d) Sub-paragraphs (b) and (c) do not apply to any **User** who owns or operates a **Distribution System** in relation an **Embedded Exemptable Large Power Station** which is **Embedded** in a part of the **User's Distribution System** that is not directly or indirectly connected to the **GB Transmission System** in respect of that **Embedded Exemptable Large Power Station**.

STC

Amend paragraph 14 of Section I as follows (changes in bold and underlined):

14. TRANSITIONAL PROVISIONS IN RELATION TO LARGE POWER STATIONS

- 14.1 Each Transmission Owner who has in force at 15 December 2004 an agreement for use of the Transmission Owner's transmission system with a person who owns or operates a Large Power Station **other than a Large Power Station which is connected to a part of either a Distribution System that is not directly or indirectly connected to the GB Transmission System or a User System that is not directly or indirectly connected to the GB Transmission System**, shall use its best endeavours to procure that such persons shall accede to the CUSC Framework Agreement.
- 14.2 In paragraph 14.1, "Large Power Station" **and "User System"** have the meanings given in the CUSC.