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to customers*

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6 September 2007

Dear Duncan

**REVIEW OF THE GRID CODE : DECISION AND NOTICE IN RELATION TO
CONSULTATION C/06 (CONTROL TELEPHONY ELECTRICAL STANDARD)**

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the changes that NGET² has proposed to its Grid Code as set out in the report to the Authority arising from consultation C/06 (Control Telephony Electrical Standard)³ that has been submitted to it for approval.

The Authority has decided to approve the proposed changes to the Licensee's Grid Code (the "Grid Code") as set out in the Appendix A of the report to the Authority arising out of Consultation C/06.

This document explains the background to the proposals and sets out the Authority's reasons for its decision to approve these changes to the Grid Code. This letter constitutes notice by the Authority under Section 49A of the Electricity Act 1989 in relation to this decision.

Background to the proposed changes to NGET's Grid Code

NGET is proposing a change to the description of the requirements for control telephony in Grid Code Connections Conditions ("CC") 6.5.5. NGET considers that the proposed change will advise Users of how to obtain detailed information about the technical

¹ Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

² National Grid Electricity Transmission plc

³ Report from NGET – Consultation Reference C/06, Issue 1, Date of Issue 6 August 2007,
http://www.nationalgrid.com/NR/rdonlyres/CE24FCFB-6951-4590-B27D-6584601A5DA4/13151/ReporttotheAuthorityD06House_Keeping.pdf.

interfaces and support requirements for control telephony systems installed at User control points.

For NGET's transmission area, the proposal is to refer to a new electrical standard (the "Control Telephony Electrical Standard"). The Control Telephony Electrical Standard has been reviewed by the Grid Code Review Panel ("GCRP"), amended as requested by GCRP and subsequently approved by GCRP under the Grid Code's governance of electrical standards arrangements.

For SP Transmission Limited and Scottish Hydro Electric Transmission Limited's transmission areas, the proposed Grid Code change would oblige NGET to provide the User, with information about control telephony requirements (if requested).

NGET received nine responses to Consultation C/06 from authorised electricity operators. NGET reported that:

- Eight respondents supported the proposed Grid Code changes because they would increase the transparency of technical requirements and ensure that control telephony requirements are clear at an early stage of project development.
- One respondent opposed the Grid Code change which it considered would increase the cost burden for generators without providing tangible benefits.

Ofgem notes the following points in the responses to NGET's C/06 consultation and that there:

- Was general support for the proposed Grid Code change.
- Were queries about whether the proposed Grid Code change would apply retrospectively. One respondent considered that a transition period should be allowed if the Grid Code change applied retrospectively.
- Were concerns about the costs of installing back-up supplies for control telephony systems that would be required by the proposed standard. One respondent considered that there was a lack of justification for the proposed change from an operational or cost perspective.
- Was a query about the need for formal obligations for NGET to liaise with the relevant Generator before visiting a power station to work on a control telephony system.
- Was a view that the new electrical standard captures existing practices.

Ofgem also notes that NGET provided further clarification to respondents. We note that NGET advised that:

- It is normal practice to liaise with the relevant Generator before NGET personnel visit a power station site.
- The proposed obligations for secured supplies within the Control Telephony Electrical Standard have been removed and will be considered separately as part of GCRP's Black Start working group's review work.
- The Control Telephony Electrical Standard approved by GCRP is intended to apply retrospectively and describes the control telephony system installed by NGET at User Control Points and will therefore not require additional retrofit work.

NGET noted in its report to the Authority that it had amended the drafting of the proposed Grid Code changes to take account of the comments received from respondents relating to the clarity of the drafting.

NGET's recommendation

In its report⁴ to the Authority on Consultation C/06 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approved the proposed changes.

NGET advised that it would implement GCRP's decision under the governance electrical standards to approve the Control Telephony Electrical Standard.

Ofgem's view

Approval of these changes by the Authority is required by standard condition C14(3). Having carefully considered the NGET's report on the proposed changes, Ofgem considers that, having had regard to the licensee's obligations⁵ set out in condition C14(1)(b) of the Transmission Licence ("the obligations") and Ofgem's wider statutory duties⁶, that the proposed changes to the Grid Code should be approved by the Authority. Ofgem's reasons for reaching this decision are outlined below.

We note that control telephony systems are installed to ensure that NGET and Users have a reliable method for exchanging information and issuing and receiving instructions in control timescales. We note that such systems are needed to enable NGET to operate the GB transmission system and to protect the security of the electricity systems as a whole. We agree that the proposed Grid Code change will improve the transparency of the current arrangements.

We note concerns about the possible impact of retrospective application of the new Control Telephony Electrical Standard. We acknowledge that changes have been made to the Control Telephony Electrical Standard to remove obligations in respect of secured supplies pending a more comprehensive review of emergency arrangements. We also note that GCRP has approved the amended Control Telephony Electrical Standard.

We note that the proposed Grid Code change will introduce a further regional difference to the Grid Code. However we note the view of the STC Committee that the Control Telephony Electrical Standard is not appropriate to implement in Scotland at this stage.

The Authority's decision

Based on the reasons set out above the Authority has therefore decided to approve the Grid Code changes set out in Appendix A of the report submitted to the Authority arising from Consultation C/06 (Control Telephony Electrical Standard).

The implementation date for these Grid Code changes is 17 September 2007.

⁴ As required by C14.2.a

⁵ The licensee's transmission licence defines the Grid Code objectives as follows:

- (i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity;
- (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the GB transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity); and
- (iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in Great Britain taken as a whole.

⁶ Ofgem's statutory duties are wider than the matters that the NGET has to take into consideration and include amongst other things a duty to have regard to social and environmental guidance provided by Ofgem to the government.

Please do not hesitate to contact me on the above number if you have any queries in relation to the issues raised in this letter or alternatively contact Bridget Morgan on 020 7901 7080.

Yours Sincerely

A handwritten signature in black ink that reads "John Scott". The signature is written in a cursive style with a horizontal line underneath the name.

John Scott
Technical Director

Signed on behalf of the Authority and authorised for that purpose by the Authority

cc: Richard Dunn, GCRP Secretary