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value for all customers*

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26 October 2007

Dear Duncan

REVIEW OF THE GRID CODE : DECISION AND NOTICE IN RELATION TO CONSULTATION F/06 (CONTROL AND SYSTEM TELEPHONY)

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 F/06 (Control and System Telephony)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 F/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 has proposed changes to the Grid Code to introduce a new type of telephony system ("System Telephony") that may be used by a User when communicating with NGET's Control Centre under normal and emergency operating conditions. System

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

² National Grid Electricity Transmission plc

³ Report from NGET – Consultation Reference F/06, Issue 1, Date of Issue 24 September 2007.
http://www.nationalgrid.com/NR/rdonlyres/E479F9C1-BDE6-4875-A082-706A7E265FBC/20174/ReporttotheAuthorityF06Control_System.pdf.

Telephony caters for public telephony based systems. The proposed Grid Code change would allow NGET to agree with a User that System Telephony can be used as the means of voice communication when:

- It is not practicable to install Control Telephony⁴, and
- There would not be an adverse impact on the total system.

The proposed Grid Code change would also clarify that Users should make use of Control and System Telephony facilities where provided, when communicating with NGET's Control Centre. NGET observes that this part of the proposed change was triggered by the recent review of black start arrangements.

NGET received seven responses to Consultation F/06 from authorised electricity operators. NGET reported that:

- Respondents were generally supportive of changes which would clarify the requirements for the telephony network.
- Respondents requested additional clarity regarding the utilisation, installation and maintenance of System Telephony.
- Some respondents provided alternative legal drafting for the Grid Code change proposal which was intended to improve clarity.
- One respondent queried the intended usage of Control and System Telephony.
- One respondent noted that it would be unreasonable to restrict the use of telephone recording facilities to operational issues.
- One respondent considered that it would be useful to include any generic requirements for System Telephony in either the Grid Code or as an Electrical Standard.
- One respondent considered that the proposed Grid Code change may lead to unnecessary costs for affected parties in Scotland.

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

- Respondents highlighted that under the current Grid Code, NGET has obligations to provide a User with Control Telephony. These respondents considered that it would be appropriate for NGET to have similar obligations in respect of System Telephony.
- One respondent considered that the Grid Code should clearly set out the circumstances where Control Telephony would normally be required and the circumstances where System Telephony would be acceptable.
- One respondent considered that it would not be acceptable to introduce System Telephony widely as this would result in a significant reduction in security of communication facilities.
- One respondent welcomed the proposed Grid Code change as this more flexible approach would become more important in the future as generation moves to a more remote generation mix.
- One respondent noted that the Grid Code arrangements for Control Telephony differ across GB.
- NGET clarified that decisions relating to use of System Telephony would take account of the location of the User and the impact on the GB transmission system. NGET expects that System Telephony could be permitted for use by Users with wind farms that are controlled remotely and/or from a number of differing locations.

⁴

Control Telephony provides a highly resilient interface between NGET's Control Centre and Users. Control Telephony is designed to be robust and remain operational in the event of a complete system shutdown.

- NGET has agreed to provide and fund a free phone number for the Users System Telephony network.
- NGET explained that the proposed Grid Code change will not change the existing Control Telephony requirements across the GB transmission system.
- NGET stated that the proposed Grid Code change should not impose additional obligations on Scottish transmission licensees. NGET notes that Scottish transmission licensees are not intended to be responsible for any aspect of the System Telephony network.

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 report⁵ to the Authority on Consultation F/06 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approve the proposed changes.

Ofgem's view

Having carefully considered the NGET's report on the proposed changes, Ofgem considers that, having had regard to the licensee's obligations⁶ set out in condition C14(1)(b) of the Transmission Licence ("the obligations") and Ofgem's wider statutory duties⁷, 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 the proposed Grid Code change would allow an alternative method of voice communication between a User and NGET under normal and emergency operating conditions, in limited circumstances. We acknowledge that NGET will assess if use of System Telephony can be permitted on a case by case basis and only permit its use where NGET considers that:

- It is not practicable to install Control Telephony at the User's Control Point, and
- There would not be an adverse impact on the security of the total system.

We note that this new arrangement is likely to be particularly appropriate for new renewable generation connections in remote and/or offshore areas.

We welcome the proposal to clarify usage of Control and System Telephony. We note that requiring Users to communicate with NGET's Control Centre using Control or System Telephony (as appropriate) will ensure that voice communications are not incorrectly diverted during adverse system operation conditions.

⁵ As required by C14.2.a

⁶ 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.

⁷ 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.

We note that the proposed Grid Code change will clarify how Control and System Telephony networks should be used. We consider that this will better enable NGET to operate the GB transmission system and promote the security of the system as a whole.

We note the request for NGET to consider defining generic requirements for System Telephony in the Grid Code or as an Electrical Standard. We consider that it is more transparent for generic requirements to be defined in public documents and as far as possible managed under appropriate governance arrangements.

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 F/06 (Control and System Telephony).

The implementation date for these Grid Code changes is 1 February 2008.

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