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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 C/07 (TIMESCALES FOR NATIONAL GRID NOTIFICATION OF
OPERATIONAL METERING)**

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/07 (Timescales for National Grid Notification of Operational Metering)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/07.

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.

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 C/07, Issue 1.0, Date of Issue 2 October 2007.
http://sharepoint/Networks/Technical/Technical_Lib/Codes/Grid_Code/Modification_Decisions_Current/No%20to%20be%20added%20Grid%20Code%20F06%20Decision.doc

Background to the proposed changes to NGET's Grid Code

NGET noted that currently CC.6.4.4 of the Grid Code requires NGET to notify a Network Operator of any need for Operational Metering⁴ in respect of an Embedded Medium power station or Embedded DC Converter Station within three months of receipt of the relevant CUSC connection application. NGET advised that changes have been implemented in the CUSC to introduce new arrangements for embedded medium and small power stations that do not have a contractual agreement with NGET. NGET noted that:

- Under the current CUSC arrangements, a CUSC connection application is not required (although a generator may choose to submit such an application) in respect of Relevant Embedded Medium power stations.
- The current CUSC arrangements require the Network Operator to submit a request for a Statement of Works in respect of Relevant Embedded power stations (unless the generator chooses to apply directly to NGET).
- The timetable and outputs from the Statement of Works process are different from the standard connection application process defined in the CUSC.

NGET considers that CC.6.4.4 of the Grid Code is not consistent with the timetable for the Statement of Works process that is defined in the CUSC. NGET notes that this proposed Grid Code change would reflect the current CUSC arrangements in respect of Relevant Embedded Medium power stations.

NGET received four responses to Consultation C/07 from authorised electricity operators. NGET reported that:

- All respondents indicated general support for the proposed Grid Code changes.
- Two respondents considered that the draft legal text could be clarified.

Ofgem notes the following points in the responses to NGET's C/07 consultation and that:

- One respondent considered that the proposed reference from Grid Code CC.6.4.4 to the CUSC should be more specific.
- One respondent did not consider that the proposed Grid Code change provided sufficient clarity about when NGET would notify a Network Operator of a requirement for Operational Metering for an Embedded Medium Power Station.
- One respondent suggested that the proposed change should clarify that an Embedded Medium Power Station will not be required to provide Operational Metering signals beyond the power station's boundary.
- NGET has amended proposed legal text to set out that the Network Operator would be notified as Site Specific Requirements in accordance with CUSC 6.5.5.
- NGET has advised that it is currently investigating with Users the feasibility of a system where operational metering signals are provided over the internet. NGET also noted that it does not consider that it would be appropriate at this stage to amend the Grid Code to accommodate this possible future development.

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.

⁴ Operational Metering is installed to provide NGET with real time information about power flows to and from connection sites and about the status of plant connected to the GB transmission system.

NGET's recommendation

In its report⁵ to the Authority on Consultation C/07 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 Operational Metering is used to provide information that NGET uses when operating the GB transmission system. We further note that NGET has rights under the current Grid Code to require Operational Metering to be installed at a power station connected to a distribution system.

We acknowledge that the current CC.6.4.4 of the Grid Code does not cater for embedded power station connections where the Generator chooses not to enter into a direct contractual relationship with NGET. We accept that this may have been an unintended consequence of the CAP097 changes to the CUSC. We consider that the proposed change to CC.6.4.4 of the Grid Code will address the identified inconsistency between the CUSC and Grid Code in respect of Operational Metering.

We consider that the proposed Grid Code change will ensure that NGET can access information it requires to operate the GB transmission system. We also note that improved consistency between industry code requirements will better facilitate competition in generation.

We note NGET's recommendation that a Grid Code change to reflect ongoing work to develop internet based systems for provision of operational metering signals, should not be considered at this time. We agree that it is not appropriate for the Grid Code to reflect possible future developments which are not yet ready for implementation.

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/07 (Timescales for National Grid Notification of Operational Metering).

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.

The implementation date for these Grid Code changes is 19 November 2007.

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 the first letters of "John" and "Scott" being capitalized and prominent. A horizontal line is drawn underneath the signature.

John Scott
Technical Director

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

cc: Richard Dunn, GCRP Secretary