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30 June 2008

Dear Duncan

**REVIEW OF THE GRID CODE : DECISION AND NOTICE IN RELATION TO
CONSULTATION G/07 (Black Start)**

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 G/07 (Black Start)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 G/07. In conjunction the Authority has decided to direct a further amendment to the Grid Code⁴ to define numbering of a proposed addition to the Data Registration Code ("DRC").

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 and direct the amendments set out in Appendix 1. This letter constitutes notice by the Authority under Section 49A of the Electricity Act 1989 in relation to these decisions.

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 G/07, Issue 1, Date of Issue 20 May 2008.
<http://www.nationalgrid.com/NR/rdonlyres/113A465B-2E0D-4DD9-82F3-C8C36F91D913/25789/ReporttotheAuthorityG07.pdf>

⁴ As permitted in C14.4

Background to the proposed changes to NGET's Grid Code

Actions were identified by the 2006 Black Start Review and Exercise Programme (initiated by the Energy Emergencies Executive Committee) in respect of the current black start arrangements. NGET has proposed changes to the arrangements for black start that are defined in the Grid Code to:

- Clarify existing Black Start obligations.
- Introduce new obligations for exchange of information between Network Operators, Generators and NGET to facilitate development of restoration strategies.
- Refer to BSC arrangements regarding suspension and reinstatement of the market in and after a Black Start situation.
- Define process steps and issues considered before the Total System can return to normal operation following a Black Start.

NGET has proposed changes to Operating Code 9, Balancing Code 2, Glossary and Definitions, Planning Code and DRC of the Grid Code. The G/07 Grid Code change proposal was developed by NGET with the assistance of a Grid Code Review Panel working group.

NGET received eight responses to Consultation G/07 from authorised electricity operators. NGET reported that:

- Respondents were generally supportive of the proposed changes to the Grid Code.
- One respondent asked who would be responsible for notifying generators not connected to the GB transmission system during a Total or Partial shutdown.
- One respondent expressed a view that this Grid code change proposal had been developed by a most constructive working group.
- Three respondents provided detailed drafting suggestions.

We note that respondents and NGET made the following points:

- A minimum standard of testing Local Joint Restoration Plans ("LJRPs") once every eight years will not stop more frequent testing.
- Questioned how and where the information on Block Loading Capability is explained or defined. NGET has subsequently advised that this will be provided in its 'Guidance Notes for Generators – Submission of Grid Code Data' (published on NGET's website) should G/07 be approved.
- There is a need to explain how the market mechanism will be suspended and reinstated as a consequence of a Total or Partial Shutdown.

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 G/07 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approved the proposed changes.

NGET advised that this change proposal in interactive with another Grid Code change proposal (consultation A/08– Emergency Instruction to De-Energise). NGET also included

⁵ As required by C14.2.a

draft legal text in the G/07 report to the Authority that shows the changes needed to implement the G/07 change proposal should this decision be made after the A/08 change proposal has been implemented.

Ofgem's view

Grid Code changes require Authority approval under standard condition C14(3) of the Transmission Licence. 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 recognise the importance to the operation of the electricity transmission system and to the security of the electricity system as a whole that arrangements for emergency situations are robust and clearly defined. We consider that the proposed Grid Code changes would better facilitate NGET's operation of the GB transmission system and enhance the security of the electricity system as a whole.

We consider that the effectiveness of a LJRP depends on it being maintained (in terms of the content of the LJRP being up to date and relevant parties maintaining a clear understanding of roles and responsibilities defined in the LJRP). We particularly note the importance of robustly defined processes that are routinely tested, in respect of high impact low probability events such as black start. We consider that the proposed change to introduce obligations for routine (not less than once every eight years) testing of LJRPs, should provide a mechanism for regularly checking the effectiveness of each LJRP.

We consider that the proposed change will clarify the process steps that should be followed if NGET declared a Total or Partial Shutdown. We note that the proposed change will enhance existing obligations and provide a more comprehensive description of the likely steps that NGET would take to restore the GB transmission system to normal operation. In particular, we consider that it would be beneficial to all parties connected to and/or using the GB transmission system for the Grid Code to define the:

- Possible process steps (including the implementation of LJRPs and the strategic restoration of supplies to other parts of the GB transmission system), that may be followed to restore the Total System, after a Total or Partial Shutdown, to normal operation.
- Factors that NGET would consider when determining whether the Total System could return to normal operation.

We consider that the requirement for Generators to provide NGET with black start related information in respect of large power stations (routinely and in response to a request

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 to Ofgem by the government.

from NGET during a black start situation), would better enable NGET to develop robust restoration strategies for the Total System.

We note the general support for this Grid Code change proposal. We also note the concern raised by one respondent that the proposed Grid Code changes do not define responsibilities for notifying generators that are not connected to the GB transmission system during a Total or Partial Shutdown. We welcome NGET's recognition of the importance of this issue and NGET's intention to consider this matter further as part of a separate Grid Code review.

We note that the issues relating to payment arrangements during a black start situation have been referred to a BSC Standing Group (the BSC Settlement Standing Modification Group). We acknowledge that recommendations in respect of the BSC arrangements may require a further review of the Grid Code black start arrangements.

We had concerns that the proposed change to OC9.5.6 could imply that licence obligations in respect of the security and quality of supply standard ('GBSQSS') could be disapplied by an action by NGET under the Grid Code. We consider that the intent of the proposed change was to explain that the circumstances under which NGET would need to declare a Total or Partial Shutdown are generally outside the scope of the GBSQSS.

We observe that the proposed Grid Code changes defined in Appendix A of NGET's G/07 report to the Authority did not define a number for the proposed, new DRC schedule. We note that this was due to interactivity with another Grid Code change proposal (B/07 – Improved Planning Code Data Exchange for Compliance Assessments). We agree with NGET's proposal in respect of the numbering of the new DRC schedule proposed within this Grid Code change proposal.

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 G/07 (Black Start). In conjunction it has decided to direct that the numbering of the proposed new DRC schedule should be Schedule 16.

The implementation date for these Grid Code changes is 7 July 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, appearing to read 'Stuart Cook', written over a horizontal line.

Stuart Cook

Director, Transmission

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