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value to customers*

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22 August 2008

Dear Duncan

REVIEW OF THE GRID CODE : DECISION AND NOTICE IN RELATION TO CONSULTATION B/08 (Voltage Control and Reactive Power)

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 B/08 (Voltage Control and Reactive Power³) 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 B/08.

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 voltage control and reactive power capability requirements defined in the Grid Code Connection Conditions. NGET considers that these changes are needed to:

- clarify the requirements in respect of power Park Modules and Non-synchronous Generating Units connected at 33kV in Scotland that were introduced when Grid Code change proposal G/06 (Power Park Modules and Synchronous Generating Units) was implemented⁴, and
- correct unintended Grid Code consistency issues.

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 B/08, Issue 1, Date of Issue 24 July 2008.

<http://www.nationalgrid.com/NR/rdonlyres/D3BAD214-C6B8-477D-98C5-7120B0C5151E/27196/ReporttotheAuthorityB08.pdf>

G/06 changes were implemented on 1 April 2008

http://www.nationalgrid.com/NR/rdonlyres/A630E4B4-6120-46E0-83BC-046897560771/24386/I08_008GridCodeG06decision.pdf

NGET received four responses to Consultation B/08 from authorised electricity operators. NGET reported that:

- All respondents were generally supportive.
- One respondent provided drafting suggestions intended to improve the clarity of the proposed Grid Code changes.

We note that respondents supported the proposed changes on the basis that they would:

- Improve clarity of existing Grid Code obligations.
- Correct drafting inconsistencies in the Grid Code.

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 relating to the clarity of the drafting.

NGET's recommendation

In its report⁵ to the Authority on Consultation B/08 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approved the proposed changes.

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 note that NGET considers that the proposed Grid Code changes will remove inconsistencies within existing Grid Code voltage control and reactive power requirements for Power Park Modules and non-synchronous generating units directly connected at 33kV in Scotland. We also note NGET's view that these changes will better facilitate the Grid Code objectives to:

- Permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity, and
- Facilitate competition in the generation and supply of electricity.

We note that all respondents to NGET's consultation supported the proposed changes to the Grid Code. We note that respondents considered that the proposed changes would improve the clarity of existing Grid Code obligations.

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 recognise that NGET may need to use voltage control and reactive power capability at a number of different power stations when operating the GB Transmission System. We consider that the removal of inconsistencies in the Grid Code will reduce the risk that generating plant capabilities that may be required for the efficient operation of the GB Transmission System are not provided.

We generally consider that generic requirements for generators should be clearly defined as this will facilitate consistent treatment of equivalent power stations. We consider that measures that remove the risk of inconsistent treatment of generators will facilitate competition in generation.

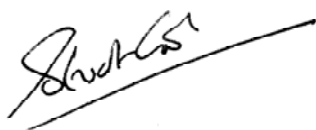
The Authority's decision

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 B/08 (Voltage Control and Reactive Power).

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

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stuart Cook', with a long horizontal line extending from the end of the signature.

Stuart Cook
Director, Transmission

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

cc: Richard Dunn, GCRP Secretary