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30 September 2008

Dear Duncan

REVIEW OF THE GRID CODE: DECISION AND NOTICE IN RELATION TO CONSULTATION C/08 (Data Exchange)

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the changes that NGET² has proposed to its Grid Code (the "Grid Code") as set out in the report arising from consultation C/08 (Data Exchange)³ which has been submitted to it for approval.

The Authority has decided to approve the proposed changes to the Grid Code as set out in Appendix A (Part 1(i), Part 1(ii), Part 2(i) and Part 2(ii)) of the report to the Authority.

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 proposed change to the Data Registration Code, Glossary and Definitions, Operating Code 2 and the Planning Code which form part of the Grid Code. The proposed changes would explicitly state the User data items that NGET is permitted to disclose to Relevant Transmission Licensees under the STC. NGET has also proposed changes to the

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/08, Issue 1, Date of Issue 29 August 2008.
<http://www.nationalgrid.com/NR/rdonlyres/72FBE3B6-A061-43A8-B401-54DCC33FB2D1/27919/ReporttotheAuthorityC08.pdf>

General Conditions of the Grid Code to extend the role of the Relevant Transmission Licensee in respect of the Grid Code. NGET noted that the proposed changes are intended to replace the current arrangements, under which the Grid Code permits NGET to disclose the User data items specified in the STC⁴. This change proposal was developed with the assistance of a GCRP working group. The GCRP working group also sought assistance from the STC Committee.

NGET has advised that this proposed change to the Grid Code will not alter the scope of the information that NGET is permitted to transfer to a Relevant Transmission Licensee. NGET considers that the proposed Grid Code changes will improve the transparency of data exchange provisions. It also considers that the changes will enable Users and Relevant Transmission Licensees to actively participate in the development of any future changes to the scope of User data items that may be disclosed to a Relevant Transmission Licensee. NGET also advised that these Grid Code changes would allow for the development of related changes to the STC, to remove duplication. However, NGET considers that the approval of these Grid Code changes is not dependent on the development of an STC amendment proposal.

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

- Respondents were supportive of the proposed changes that will improve the transparency of User data derived from Grid Code obligations which is transferred to a Relevant Transmission Licensee.
- One respondent considered the proposed change would improve the process for any subsequent changes to the scope of the information exchange that may be necessary in the future.
- One respondent provided detailed drafting comments.
- One respondent indicated the importance for a Relevant Transmission Licensee to have access to data derived from User data to be able to discharge its transmission licence obligations.

We note that respondents made the following points:

- One respondent expressed appreciation for the amount of effort that NGET made in developing the drafting for the C/08 change proposals.
- Respondents expressed strong support for the proposed changes to the Grid Code.
- One respondent confirmed that the proposed change would ensure that NGET is able to transfer all relevant data to Relevant Transmission Licensees.

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 C/08 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approved the proposed changes.

⁴ By reference to a specific version of the STC.

⁵ As required by C14.2.a

NGET considers that the proposed changes to the Grid Code will better facilitate competition in generation and supply of electricity by reassuring Uses that their data will not be used by other parties to gain an unfair advantage in the market place.

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 agree that with NGET's view that the proposed Grid Code changes will facilitate competition in generation and supply of electricity. We consider that the proposed changes will ensure that safeguards are in place in respect of the User data that NGET may disclose. We acknowledge that there is User sensitivity in respect of some data items that are submitted to NGET under the Grid Code.

We recognise that there have been issues with the efficiency of the safeguard in the current arrangements. We consider that the proposed change will improve efficiency and ensure that all relevant parties are able to contribute to any future review of the scope of data exchange.

We note the level of detailed drafting work that was required for this Grid Code review. We particularly welcome the approach of NGET and the GCRP working group in ensuring that a representative from the STC Committee was invited to engage in the development of this change proposal.

We are aware that a consequential STC amendment proposal has been raised. We agree with NGET's view that our decision in respect of this C/08 Grid Code change proposal can be made independently of any decision in respect of this consequential STC 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 (Part 1(i), Part 1(ii), Part 2(i) and Part 2(ii)) of the report submitted to the Authority arising from Consultation C/08 (Data Exchange).

The implementation date for these Grid Code changes is 13 October 2008.

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.

Please do not hesitate to contact 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', is written over a long, horizontal, slightly curved line that serves as a signature line.

Stuart Cook

Director, Transmission

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

cc: Richard Dunn, GCRP Secretary