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*Bringing choice and
value to customers*

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19 November 2008

Dear Sir

REVIEW OF THE GRID CODE : DECISION AND NOTICE IN RELATION TO CONSULTATION D/08 (Grid Code Requirements for Technical Performance)

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 D/08 (Grid Code Requirements for Technical Performance)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 D/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.

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 D/08, Issue 1, Date of Issue 27 October 2008.
<http://www.nationalgrid.com/NR/rdonlyres/09389D0D-EA1D-447B-9A96-3865A8314A2B/29184/ReporttotheAuthorityD08.pdf>.

Background to the proposed changes to NGET's Grid Code

NGET reviewed with the assistance of a GCRP⁴ working group technical performance requirements relevant to generating plant that are currently only defined in NGET Guidance Notes⁵. As part of this review, NGET identified four main requirements that it considered should be added to the Grid Code. NGET and the GCRP working group agreed that the Grid Code should define all relevant technical obligations and that guidance notes should be used to provide information about possible ways of demonstrating Grid Code compliance.

NGET has proposed changes to the Glossary and Definitions, Connection Conditions, Planning Code and Balancing Code 3 of the Grid Code. NGET considers that the proposed changes will improve the definition of:

- Performance characteristics required of generating plant (in respect of definition of droop and the operation required when system frequency is above 50.5Hz).
- Operating arrangements if a generator has been required by NGET to fit a power system stabiliser.
- Control system model information required from a generator.

NGET received two responses to Consultation D/08 from authorised electricity operators. NGET reported that both respondents were supportive of the proposed changes.

We note the support for the proposed Grid Code changes expressed by respondents and also note that one respondent provided detailed drafting comments

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 detailed drafting comments received in response to Consultation D/08.

NGET's recommendation

In its report⁶ to the Authority on Consultation D/08 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approved the proposed changes.

⁴ Grid Code Review Panel.

⁵ Guidance Notes for Power Park Developers <http://www.nationalgrid.com/NR/rdonlyres/6C036707-27A4-4C43-AD8A-777487AAFF/28685/GuidanceNotesforPowerParkDevelopersIssue2September.pdf>, and Guidance Notes for Synchronous Generators <http://www.nationalgrid.com/NR/rdonlyres/B4DF2400-96FD-40E5-AF44-8DB88AADA5DF/28686/GuidanceNotesforSynchronousGeneratorsIssue11Septem.pdf>.

⁶ As required by C14.2.a

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 obligations⁷ set out in condition C14(1)(b) of the Transmission Licence ("the obligations") and Ofgem's wider statutory duties⁸, 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 the support for these proposed changes to the Grid Code. We particularly note that respondents considered that the proposed changes would improve transparency and ensure that these technical requirements are subject to appropriate governance. We also note the value of specifying minimum generating plant performance criteria in respect of exceptional system conditions to mitigate possible consequences on overall system security.

We recognise that system modelling is an important tool that NGET uses when developing and operating the GB transmission system. We acknowledge that NGET needs access to information about the characteristics of generating plant in order to model the GB transmission model and note existing information provision obligations in the Grid Code.

We consider that the obligation for a generator to verify generating unit information in respect of the excitation system, governor system and supplementary control system would improve the robustness of NGET's system modelling work. We note that the proposed obligations for a generator to verify such generating unit information will not apply retrospectively to existing generating units other than if the generator is making a Modification. We consider that it would not be proportionate to require a generator to carry out simulation studies to verify system modelling information for an existing generator unless relevant changes were being made to the generating unit.

We consider that the Grid Code changes proposed in the report to the Authority arising from consultation D/08, will promote the security and efficiency of the electricity generation, transmission and distribution systems in Great Britain taken as a whole and are therefore consistent with the requirements of paragraph 2(a) of standard condition C14 of the transmission licence.

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 D/08 (Grid Code Requirements for Technical Performance).

⁷ The licensee's transmission licence defines the Grid Code objectives as follows:

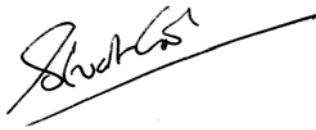
- (i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity;
- (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the GB transmission system 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.

⁸ 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 8 December 2008.

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 faithfully

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

cc: Richard Dunn, GCRP Secretary