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18 March 2009

Dear David,

**REVIEW OF THE GRID CODE: DECISION AND NOTICE IN RELATION TO CONSULTATION G/08 (Grid Code Requirements for the GB Transmission System Study Network Data File)**

The Gas and Electricity Markets Authority (the "Authority")<sup>1</sup> has carefully considered the changes that NGET<sup>2</sup> has proposed to its Grid Code as set out in the report to the Authority arising from consultation G/08 (Grid Code Requirements for the GB Transmission System Study Network Data File)<sup>3</sup> 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 Appendix A of the report to the Authority arising out of Consultation G/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 Grid Code to clarify the requirements for the production by NGET of a GB Transmission System Study Network Data File (referred to as a 'Network Data File' for the purposes of this letter) and the timescales during which NGET may provide such a Network Data File to network operators. A Network Data File sets out NGET's view of operating conditions on the GB transmission system. The data in

<sup>1</sup> Ofgem is the office of the Authority. The terms "we", "Ofgem" and "the Authority" are used interchangeably in this letter.

<sup>2</sup> National Grid Electricity Transmission plc

<sup>3</sup> Report from NGET – Consultation Reference G/08, Issue 1.0, Date of Issue 11 Feb 2009.  
<http://www.nationalgrid.com/NR/rdonlyres/F6376D00-384D-4DE8-9491-C3A5DFD8B090/31907/ReporttotheAuthorityG08.pdf>.

a Network Data File allows a Network Operator to study the way their network operates with the transmission system, to ensure a co-ordinated approach. NGET is proposing changes to Grid Code Operating Code 2 ("OC2") to:

- Define the scope of information exchanged in a Network Data File, and
- Permit the exchange of such information for a week-ahead timescale.

NGET notes that the Grid Code does not currently explicitly define the scope of a Network Data File or the timescales during which the information may be provided. NGET considers that the proposed G/08 changes to the Grid Code will provide additional clarity for users and will improve the transparency of Grid Code arrangements.

NGET received three responses to Consultation G/08 from authorised electricity operators. NGET reported that all respondents were supportive of the proposed Grid Code changes.

We note that respondents made the following points:

- One respondent noted it was pleased to participate in Grid Code Review Panel discussions about the G/08 change proposal and that it was generally satisfied with the proposed approach.
- One respondent was content with the G/08 change proposal, provided that there is appropriate regulated separation of network and generation businesses.
- One respondent agreed that the proposed changes will provide additional clarity to users regarding a Network Data File.

NGET noted in its report to the Authority that the G/08 change proposal does not have an impact on other industry documents or any additional environmental impacts.

### **NGET's recommendation**

In its report<sup>4</sup> to the Authority on Consultation G/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 obligations<sup>5</sup> set out in condition C14(1)(b) of the Transmission Licence ("the obligations") and Ofgem's wider statutory duties<sup>6</sup>, that the proposed changes to the Grid Code should be approved by the Authority. Ofgem's reasons for reaching this decision are outlined below.

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<sup>4</sup> As required by C14.2.a

<sup>5</sup> 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.

<sup>6</sup> 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 acknowledge that network operators require information about the expected transmission system operation to be able to properly assess possible distribution system conditions during operational timescales. We consider that the exchange of summary information such as a Network Data file promotes the security of the electricity system as a whole, which is consistent with the design of the Grid Code as required by C14(1)(b)(iii).

We note that all respondents to NGET's G/08 consultation were supportive of the proposed Grid Code changes. We consider that appropriate licence obligations are in place to prevent the transfer of information from network licensees to generation businesses within a single company group.

### **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/08 (Grid Code Requirements for the GB Transmission System Study Network Data File).

The implementation date for these Grid Code changes is 1 April 2009.

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', 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