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Dear Mark

The “timing-out” of code modification proposals

Thank you for the opportunity to respond to the Open Letter regarding the “timing-out” of code modification proposals. This response is on behalf of National Grid Electricity Transmission plc (NGET) and National Grid Gas plc (NGG). NGET owns the electricity transmission system in England and Wales and is the GB System Operator. NGG owns and operates the Gas Transmission System and also owns four of the Gas Distribution Networks.

In summary, National Grid continues to consider that the current arrangements regarding the timing of implementation of code modifications are appropriate. In particular we would stress that no additional flexibility is required for the UNC arrangements. For the CUSC and BSC, whilst additional flexibility may be of value, we do not believe that it would require implementation through a licence change. Moreover, we continue to believe that any flexibility introduced should be in the form of a referral, rather than a direction, from the Authority to the relevant Panel(s) to consider the implications of an extension and investigate any appropriate action (such as revised analysis and reworking of the final modification report). National Grid would be happy to progress the development of modifications to the governance provisions within the relevant codes to this effect.

In full response to the open letter:

As outlined in our response to the November consultation on the timing out of proposals, we believe that the current arrangements with regards implementation timing work well, with little evidence to support a significant issue with the “timing-out” of decisions. We note from the responses to the November consultation that this view is shared by the majority of parties who responded.

Application of change to UNC

In particular, we continue to believe that additional flexibility with regards implementation timing is not appropriate for the UNC as the modification process for the UNC does not utilise a timetable that can lead to timing out. There are no decision-by dates and even the proposer’s proposed implementation date is not binding on any party. Therefore, we continue to advocate that no change is required to the existing UNC arrangements.

Application of changes to CUSC/BSC/STC

With regards to the CUSC and BSC, we continue to acknowledge that additional flexibility may be of value in those instances where timing out may be a risk. However, it is unclear to us that this flexibility would require a licence change as proposed in the current open letter. Indeed, we would suggest that such flexibility is in fact already facilitated through NGET's Electricity Transmission Licence Standard Conditions C10 (6c) and C3 (4c) for the CUSC and BSC respectively:

“for the timetable... for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Authority.” (excerpt from Standard Condition C10).

As such, instead of a licence change we would suggest that in order to facilitate additional flexibility it would be more appropriate to do so through amendment to the relevant codes (CUSC and BSC). Moreover, as indicated in our response to the November consultation we would suggest that given the similarities in arrangements to the CUSC, the same changes should also be introduced to the STC.

Option C

The Authority's proposal suggests the direction of a revised timetable (and analysis) to the relevant code panel. However, we would suggest that this option does not provide the most appropriate balance between the role of the Authority and the relevant Panel. In our original response we suggested that in the event of potential “timing-out” a referral for consideration (rather than direction) to the relevant Panel would be the most appropriate route for any change to an implementation date to be considered. We note that this view was put forward in a number of the other responses to the November consultation and our view continues to be that this is the most appropriate solution and that the relevant Panel, comprising industry experts, is best placed to consider both the validity of the existing analysis and the potential appropriateness of alternative implementation dates. Critically, it is unclear from the current open letter that the Authority will consider the Panel view on a possible extension, or requirement for analysis, prior to issuing a direction.

Option C – additional requirements

We would suggest that, prior to any change being implemented, additional consideration of the subsequent implications would be required (in collaboration with the industry and relevant parties). For instance, were a direction given to update analysis, the final modification report may require significant amendment on the basis of this additional analysis. This may relate to the additional analysis, recording the output of the subsequent consultation on the analysis, as well as subsequent Panel deliberation and recommendation. It may even, in some instances, be necessary for a Working Group to be reconvened for the purposes of conducting and interpreting the analysis and as such the Working Group report and vote may also require updating.

The process which such steps would follow (as well as the decision making involved) would require careful consideration. We would suggest that the complications and governance required would serve to re-emphasise our view that the Panel is best placed to consider any and all of these requirements, working under the specific governance of the code in question.

With these comments in mind, National Grid would be happy to progress the development of modifications to the relevant codes to make explicit within the governance provisions the route for the Authority to request an extension to implementation timing, taking due account of all the associated process implications of this request.

Licence drafting

We have some specific comments with regards the proposed licence drafting. However, as we are of the view that the licence changes should not be progressed further, and indeed we may well be unable to support the changes as drafted were they brought forward as part of a formal licence modification, we have not noted these comments in this response.

We will seek to engage fully with you on our thoughts for the code modifications outlined in this response, and in the meantime, if you wish to discuss this further or have any queries please contact me, Mark Ripley on 01926 654928 or Richard Court on 01926 656146

Yours sincerely

[By e-mail]

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UK Director of Regulation