Interested parties

Promoting choice and value for all customers

Direct Dial: 020 7901 7009
Email: stuart.cook@ofgem.gov.uk

30 October 2009

Dear Colleague

Consultation on NGET's request for Grid Code and STC derogations in respect of certain offshore 'transitional projects' – ref: 131/09

We have received a request from National Grid Electricity Transmission plc ('NGET') for Ofgem to grant relief (or 'derogation') from the requirement set out in NGET's transmission licence for NGET to implement and comply with certain obligations in the Grid Code and System Operator – Transmission Owner Code ('SO-TO Code' or 'STC') in respect of specific offshore generator connections.

In June 2009, the Secretary of State implemented changes to the existing regulatory framework to introduce new arrangements for the regulation of offshore transmission[1]. The changes implemented by the Secretary of State included changes to the Grid Code and to the STC.

NGET's request for derogation relates to the connection of a number of offshore generators (the relevant 'transitional projects') [2] which were operational or were substantially developed as generator connections to an onshore network (distribution or transmission) before the changes made to implement the offshore transmission regime were fully defined.

NGET has also flagged that development had already started for some of these offshore generator projects before the Grid Code requirements applicable to intermittent generators and licence exempt embedded medium power stations ('LEEMPS') were introduced. NGET has already been granted derogation in respect of some of the offshore generator connections identified in this derogation request. These derogations were granted in respect of Grid Code compliance requirements applicable to embedded generators. The changes for offshore transmission mean it is necessary to review the existing derogations.

[1] Offshore transmission go-active occurred on 24 June when the Secretary of State commenced sections 90 and 91 of the Energy Act 2004 ('Offshore Transmission Go-Active'). It is expected that the Secretary of State will commence sections 89 and 180 of the Energy Act 2004 to fully implement the offshore transmission regime in June 2010 ('Offshore Transmission Go-Live').

[2] Transitional' projects are those projects that will be operational or close to operational, under construction or have reached financial close by the date of offshore regulatory regime 'Go-Live', currently expected to be in June 2010.

This letter sets out the background to this issue, describes the compliance issues NGET has identified and seeks views on these issues. We are seeking views by 26 November 2009[3] and currently expect to issue our decision on NGET's request in December 2009.

Background

Regulatory framework

NGET is required by standard licence condition C14 (Grid Code) ('SLC C14') to implement and comply with a Grid Code which sets out all material technical aspects relating to connections to and the operation and use of the National Electricity Transmission system ('NETS'). The Grid Code also specifies data that users must supply to NGET.

NGET is required by standard licence condition B12 (SO –TO Code) ('SLC B12') to have in force an STC. The STC sets out the interface between NGET in its role as national electricity transmission system operator ('SO') and the other transmission licensees which operate as Transmission Owners ('TOs') and Offshore Transmission Owners ('OFTOs')[4].

Under paragraph 12 of SLC C14, and paragraph 15 of SLC B12, the Authority may grant relief to NGET (a 'derogation') from implementing and complying with any obligation contained in these codes in specified circumstances and to a specified extent.

In January 2009, we issued an updated guidance note[5], setting out the information that the Authority will take into account when considering a derogation request. Amongst other matters, in making its decision, the Authority will consider the information supplied in the derogation request and will make a decision that is consistent with the Authority's principal objective and wider statutory duties.

Offshore transmission regime

Ofgem, in partnership with the Department for Energy and Climate Change (DECC)[6], has developed a new regulatory regime for offshore transmission. A key feature of this regime is that each new tranche of transmission assets required for the connection of offshore generators will be provided by an OFTO which will be identified following a competitive tendering process managed by Ofgem. NGET's SO role has been extended to cover both the onshore and offshore transmission networks (now referred to as the 'National Electricity Transmission System' or 'NETS').

The Offshore Transmission regime moved into "Go-Active" status on 24 June 2009. On this date, the Secretary of State implemented changes to the existing regulatory framework, including changes to the transmission licence and industry codes that are appropriate for the introduction of the new offshore regulatory regime[7]. These changes principally define the requirements which apply to generators with offshore connection points to the NETS, to OFTOs and to the SO. These changes will become fully effective at Offshore Transmission "Go-Live" when the Secretary of State implements changes to the scope of transmission to include offshore lines that are 132kV and above. NGET's obligations under the Grid Code and STC will change at Offshore Transmission Go-Live including in respect of the transitional projects.

---

[3] It is Ofgem's usual practice, whenever possible and appropriate, to consult with parties for a period of six weeks. In this instance Ofgem has made the decision to limit this consultation period to four weeks as the first round of tenders for potential OFTOs has begun.

[4] There are no licensed OFTOs at present. It is expected that the first OFTOs will be appointed by June 2010, following a competitive tender process. The first round of tenders will be for those offshore assets that have been or are being constructed by developers and where the developer meets certain pre-conditions before the Go-Live date.

[5] Guidance on licence derogation requests: http://www.ofgem.gov.uk/Networks/Techn/TechStandds/Derogtns/Documents1/090119DerogationsGuidance.pdf

[6] Previously the Department for Business, Enterprise and Regulatory Reform (BERR), now known as the Department for Business, Innovation and Skills (BIS) following machinery of Government changes.

[7] Using powers under section 90 and 91 of the Energy Act 2004.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Ofgem has initiated a competitive tender process for the first round transitional projects. The tender regulations[8] (The Electricity (Competitive Tenders for Offshore Transmission Licenses) Regulations 2009 – SI 2009/1340) define the qualification criteria that developers need to meet for the offshore generation project to be treated as a transitional project. These qualification criteria relate to the development and construction stage of the offshore project. The offshore transmission regime has specified arrangements for transitional projects. Each transitional project developer will construct the offshore assets (both generator and transmission assets) and will be required to transfer the completed transmission assets to the successful party for that project selected through Ofgem's tender process and granted an offshore transmission licence (the 'OFTO'). The OFTO will have licence obligations in relation to the transitional projects, including, amongst other things, an obligation to comply with the STC.

The following changes for offshore transmission are relevant to the derogation request which is the subject of this consultation:

- 132kV transmission: the Electricity Act 1989 (the 'Electricity Act') definition of transmission will be amended by the Secretary of State at Offshore Transmission Go-Live, to include as transmission 132kV lines and above offshore

- 'Large Power Station': the Grid Code definition of Large Power Station has been amended to include offshore generators that are 10MW and above and are directly connected to the NETS. Accordingly, the Grid Code obligations that apply to Large Power Stations apply to offshore generators of 10MW and above and are directly connected to an offshore transmission system, and

- new STC party: the scope of the STC has been extended to include OFTOs as new parties to the Code. OFTOs will be required by their transmission licence to be a party to and comply with the STC, and NGET will have obligations under the STC in relation to OFTOs.

NGET's request for derogation

In August 2009, NGET wrote to Ofgem seeking a request for derogation in respect of the relevant transitional projects, in light of the new offshore transmission regime to be fully implemented at Offshore Transmission Go-Live. NGET is seeking derogation from the Grid Code and STC requirements set out in more detail in the following sections of this letter, in relation to the following offshore transitional projects[9]:

[8] http://www.opsi.gov.uk/si/si2009/uksi_20091340_en_1

[9] Further information on each of the projects to which this derogation request relates is available on Ofgem's website at the following link: http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=5&refer=Networks/offtrans/ott/tendocs

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Transitional Project	Size	Connection status	Location	Relevant DNO*
Barrow	90MW	connected	7km south west of Walney island in Cumbria	ENW
Robin Rigg East	90MW	connected	Located in Robin Rigg sandbank in Solway firth, 13km east of Cumbria	ENW
Robin Rigg West	90MW	connected	Located in Robin Rigg sandbank in Solway firth, 13km east of Cumbria	ENW
Thanet	300MW	not connected	Off the Kent coast, approximately 7 miles from Foreland Point	EDF Energy
Greater Gabbard	367.2MW	not connected	40kms east of Harwich, off the Suffolk coast	N/A
Greater Gabbard (Galloper)	136.8MW	not connected	40kms east of Harwich, off the Suffolk coast	N/A
Sheringham Shoal	315MW	not connected	20km north of Sheringham, off the Norfolk Coast	EDF Energy
Walney I	178MW	not connected	15km west of Walney island, and 18km from Barrow in Furness, off the Cumbrian coast	N/A
Walney II	183MW	not connected	15km west of Walney island, and 18km from Barrow in Furness, off the Cumbrian coast	ENW
Gunfleet Sands I	99.9MW	not connected	7km from Clacton-on-sea, off the Essex Coast	EDF Energy
Gunfleet Sands II	64MW	not connected	7km from Clacton-on-sea, off the Essex Coast	EDF Energy

*Where a relevant DNO is identified, this indicates that the project will connect to the NETS at an offshore connection point and that the offshore transmission system will be connected via an onshore distribution system.

For the purposes of this consultation, and in the interest of conciseness and clarity, we have grouped the Grid Code and STC compliance issues identified in NGET's request according to the following categories of non-compliance:

- *Previously identified compliance issue*: these are areas of non-compliance that are already the subject of a derogation granted by the Authority in March 2007, in respect of certain LEEMPS. The changes to the regulatory framework for offshore transmission mean that certain transitional projects covered by the existing derogation will no longer be LEEMPS (as they will be captured by the new definition of Large Power Station and directly connected to the NETS). Therefore, whilst there is no change to the operation of the projects in question, a new derogation is required reflecting the changes to the regulatory regime

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

- *Change in definition of Large Power Station*: in addition to the areas of non-compliance referred to above, there are further areas of non-compliance in respect of which we have not previously been asked to make a derogation decision. These relate to additional compliance requirements for Large Power Stations compared to medium power stations

- *Change to classification of 132kV circuits offshore*: the Electricity Act definition of transmission will be amended to include 132kV lines and above offshore as transmission. This means that projects connected at 132kV offshore with an onshore point of connection in England and Wales will be transmission connected, and will have different compliance requirements compared to embedded power stations, and

- *STC derogation*: In addition to the above Grid Code compliance issues, NGET has also identified a number of STC compliance issues that are associated with the Grid Code compliance issues. Some of these issues arise as a consequence of the change made by the Secretary of State to allocate responsibilities between OFTO and offshore generators in respect of reactive power capability.

We have set out in more detail below the Grid Code and STC requirements relevant to each of the above categories and the transitional projects to which the non-compliance relates.

In addition to the information set out below, NGET has informed the Authority that, if the requested derogations are granted to NGET, for all the areas of non-compliance identified:

- the impact on health and safety would be negligible
- the impact on security of supply would be negligible
- there will be a positive impact on sustainable development as it will increase the amount of sustainable generation available
- it will marginally enhance market choice to consumers and facilitate the spread of low carbon generation
- there would be a marginal increase in competition in the generation market
- the impact on other parties would be negligible
- the impact on the ability of NGET to operate the NETS and on any system operation costs arising from this derogation would negligible and no undue discrimination arises as a result of derogation being granted, and
- NGET has advised that in stating that the impact on other parties and NGET's ability to operate the system would be negligible, this applies only where such non-compliance is limited to the schemes in question and may not continue to be the case if it were proposed to extended such non-compliance.

We also sought the views of those involved in the transitional projects together with the views of the relevant distribution network operators on the non-compliance that NGET has identified; the views that have been provided are reflected below.

Previously identified compliance issue

As indicated above, on 30 March 2007 the Authority issued a direction to NGET ('the March 2007 derogation') relieving it of its obligations to implement or comply with the Grid Code in respect of a number of Grid Code connection conditions relating to certain LEEMPS for the lifetime of the generation units.

In granting the March 2007 derogation the Authority noted, amongst other things, that:

- the compliance issues NGET had identified were associated with design and/or installation decisions which were made before the relevant Grid Code obligations against which NGET was seeking derogation were implemented

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

- the capability of the generating units in respect of which the derogation would apply would not be affected by the issuing of the derogation
- it may not have been possible to modify the generating plant to achieve compliance
- requiring compliance with these Grid Code obligations would be a material change to generators that were connected or had terms for connection when the obligations were introduced, and
- NGET had not identified any significant risks associated with the non-compliance to other relevant licensees or connected customers.

The March 2007 derogation applies, amongst other things, to NGET's obligations in relation to a number of offshore generators that are the subject of this derogation request – Robin Rigg East and Robin Rigg West wind farms, and Barrow wind farm. Once the offshore transmission regime is fully implemented at Offshore Transmission Go-Live, these generators will no longer be classed as LEEMPS; they will be regarded as Large Power Stations that are directly connected to the NETS. Therefore the March 2007 derogation will therefore no longer apply to NGET's obligations in respect of these generators[10].

NGET has advised that there has been no change in the operation and performance of these generators, and that the request for derogation arises solely as a result in the change to the regulatory regime. NGET has confirmed that the information NGET provided to Ofgem in respect of the capability of these power stations in the previous derogation requests remains unchanged.

NGET has therefore requested that the Authority issues derogations relieving NGET of its obligation to implement and comply with the Grid Code connection conditions set out in Table One below in respect of Barrow Offshore windfarm, Robin Rigg East and Robin Rigg West offshore windfarms. These derogations are requested for the lifetime of the generation assets.

Table One

Site	**Obligation**	**Summary of content**	**NGET's reasons for derogation request**
Barrow Offshore wind farm Robin Rigg East Robin Rigg West	CC.6.3.2	Reactive power capability requirement	The turbines are designed to control to unity power factor at the interface point (ie between the offshore network and the DNO). They do not have the ability to control unity power factor at the offshore grid entry point. This requirement would require substantial reengineering and investment if it were to be achieved. Derogation already granted as part of the March 2007 derogation.
	CC.6.3.4	Active and reactive power capability under steady state conditions	No load regulator has been fitted to the plant and it is not capable of providing a reactive capability range CC6.3.2. Derogation already granted as part of the March 2007 derogation.

[10] For the avoidance of doubt, this does not change the effect of the March 2007 derogation in relation to NGET's obligations in respect of the remaining LEEMPS that the derogation applies to.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Site	Obligation	Summary of content	NGET's reasons for derogation request
	CC.6.3.6	Voltage and frequency control arrangements	The turbines are designed to control to unity power factor at the Interface Point and do not have the ability to contribute to voltage control by adjusting their reactive power output. With regards to frequency the plant has not been fitted with a Governor or load regulator and unable to contribute to frequency control by modulation of Active Power. This requirement would require substantial re-engineering and investment if it where to be achieved. Derogation already granted as part of the March 2007 derogation.
	CC.6.3.7	Frequency control	The turbines and overall wind farm has not been fitted with a Governor or load regulator and unable to contribute to frequency control by modulation of Active Power. This requirement would require substantial re-engineering and investment if it where to be achieved. Derogation already granted as part of the March 2007 derogation
	CC.6.3.8	Voltage/reactive power control	The plant is unable to provide voltage or reactive power control as defined by CC6.3.2. Derogation already granted as part of the March 2007 derogation
	CC.6.3.9	Steady state inaccuracies	The plant has not been fitted with a load regulator and would be unable to meet this requirement. To achieve this requirement would require substantial re-engineering. Derogation already granted as part of the March 2007 derogation
	CC.6.3.15	Fault ride through	The turbines as supplied are unable to satisfy the full fault ride through requirements of CC.6.3.15 of the Grid Code. To require the plant to satisfy this requirement would result in expensive retrofitting for the Generator. Derogation already granted as part of the March 2007 derogation

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Change in definition of a Large Power Station

As set out above, the introduction of an offshore transmission regime has resulted in a change to the Grid Code definition of Large Power Station. As a result of this change a number of offshore generating sites (including Robin Rigg East and West, and Barrow) will be classed as Large Power Stations from Offshore Transmission Go-Live, and obligations that did not previously apply in respect of these generators will apply to NGET.

NGET has advised the Authority that:

- the obligations listed in Table Two below do not apply to LEEMPS, but will apply to Robin Rigg East, Robin Rigg West and Barrow at Offshore Transmission Go-Live when these will be classed as Large Power Stations,
- the compliance issue is associated with design and/or installation decisions which were made before the relevant Grid Code obligations were implemented,
- it may not be possible to modify the generating plant to achieve compliance, and
- that requiring compliance with these Grid Code obligations would be a material change to generators that were connected or had terms for connection when the obligations were introduced, and
- NGET had not identified any significant risks associated with the non-compliance to other relevant licensees or connected customers.

NGET has therefore requested a derogation relieving it of its obligation to implement and comply with the Grid Code in respect of the following obligations, for the reasons also set out below:

Table Two

Site	**Obligation**	**Summary of content**	**NGET's reason for derogation request**
Barrow Robin Rigg East Robin Rigg West	CC.6.2.1	General requirements for generating plant and also of the NETS at the interface with a generating station	The offshore generators and corresponding offshore cable networks have already been built and the obligations contained within CC6.2.1 were not specified at the time when the assets were built as the obligations did not apply to LEEMPS. It may be difficult for the generators to satisfy these requirements without substantial reinvestment and reengineering.
	CC.8	Connection Condition CC8 relates to the ancillary services required from a generator by NGET for the operation of the NETS. These ancillary services include reactive power and frequency response.	Each of these offshore windfarms was originally a LEEMPS that were not required to provide Mandatory Ancillary Services (MAS). Following full implementation of the offshore transmission regime each of these offshore generators will be a large power station and required to comply with CC.8. Compliance with CC.8 is dependent on compliance with CC6.3.2, CC6.3.7 and CC6.3.8. If derogation is granted for these Grid Code obligations then derogation is also needed from CC.8.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Site	Obligation	Summary of content	NGET's reason for derogation request
	BC2.5.4	Reactive power output in the absence of an instruction from NGET	None of these offshore power stations is able to control reactive power to unity power factor as required by CC6.3.2. To control reactive power at the offshore grid entry point would require additional reengineering and costs to the Generator.
	BC3.5.1	Frequency control	None of the three offshore generators has been fitted with Frequency Governor and all are unable to meet the requirements of CC6.3.6 and CC6.3.7. Each of the offshore generators is unable to operate in limited frequency sensitive mode. To require this capability would involve expensive retrofitting to the plant.
	BC3.5.2	Frequency control	None of the three offshore generators has been fitted with Frequency Governor and all are unable to meet the requirements of CC6.3.6 and CC6.3.7. Each of the offshore generators is unable to operate in limited frequency sensitive mode. To require this capability would involve expensive retrofitting to the plant
	BC3.7.2	High system frequency response	This requirement is beyond the requirements of CC6.3.7 in that the Generator must automatically deload its output at a minimum of 2 percent per 0.1Hz deviation of system frequency above 50.4Hz. None of the three offshore generators has been fitted with Frequency Governor and to require this facility would result in high costs for each of the Generators. NGET has also requested derogation in respect of CC6.3.7 in respect of these three offshore power stations. NGET has advised that this relates to Limited Frequency Sensitive mode (ie the plant is required to reduce output at frequencies above 50.4Hz but not for other system frequency changes) which NGET does not pay for and therefore no direct costs arises as a result of the non-compliance. NGET has also noted that frequency excursions above 50.4Hz are extremely rare, and NGET do not as standard practice incur costs to protect against them.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Change to classification of 132kV circuits offshore

Offshore generators that are connected by 132kV offshore circuits to a connection point with an onshore distribution network are currently treated as embedded generators. At Offshore Transmission Go-Live and thereafter, 132kV offshore circuits will be classed as offshore transmission systems and will form part of the NETS. There are additional Grid Code requirements that only apply in respect of directly connected generators.

NGET has requested a derogation relieving it of its obligation to implement and comply with the Grid Code in respect of:

Table Three

Site	**Obligation**	**Summary of content**	**NGET's reasons for derogation request**
Barrow offshore wind farm Robin Rigg East Robin Rigg West	Planning Code 6.3 (PC6.3)	Technical and design criteria applied in the planning and development of each offshore transmission system.	The offshore network was not built to the technical and design criteria defined in Table E of the Planning Code contained in the Grid Code.
Barrow Robin Rigg East Robin Rigg West Thanet Greater Gabbard (Inner Gabbard) Greater Gabbard (Galloper) Sheringham Shoal Walney 1 Walney II	CC.6.2.2	Defines minimum protection requirements for generating stations connected to the NETS	For each of these sites at the time of design and, for those sites that are built, at construction, the requirements for protection and backup protection were never defined between the offshore generator and the offshore cable network. It may be difficult to satisfy these requirements unless substantial reinvestment and reengineering is carried out.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Site	Obligation	Summary of content	NGET's reasons for derogation request
Barrow Robin Rigg East Robin Rigg West Thanet Greater Gabbard (Inner Gabbard) Greater Gabbard (Galloper) Gunfleet Sands I Gunfleet Sands II	Operating Code 11 (OC11)	Numbering and nomenclature of high voltage apparatus at certain sites	The overall objective of OC11 is to ensure the safe and effective operation of the system by requiring, in certain circumstances, that the numbering and nomenclature of certain users' equipment is in accordance with the system used by NGET. OC11 did not previously apply at the offshore connection point, as pre-offshore transmission go-live, the interface is at the connection point to an onshore network. Changing the nomenclature of all HV equipment at the offshore connection point (for sites already built and those under construction) would result in additional costs to the developer. NGET considers that non-compliance with OC11 nomenclature provisions are manageable within this framework as a legacy of offshore transmission transition. However, NGET has commented that its view may change if the non-compliance was allowed to proliferate beyond these identified projects.

STC derogation

In addition to requests for derogation in respect of the Grid Code obligations discussed above, NGET has requested derogation from a number of obligations contained in the STC in relation to the transitional projects identified in Table four below.

Specifically, NGET has requested derogation from:

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Table Four

Site	STC Obligation	Summary of content	NGET's reasons for derogation request
Barrow Robin Rigg East Robin Rigg West	Section C, Part One, 2.1.3	Generic obligation for a TO to provide NGET with a means to enable NGET to obtain information needed to coordinate flows onto and over the NETS	These requirements are detailed in STCP04-2 (Real Time Datalink Management), and the proposed new STCP04-6 (Offshore Datalink). The measurement, control and indication systems at each of these generating sites were not designed and constructed to provide separate real time indication facilities from transmission equipment as described in these STCPs. The obligation to provide real time data will remain. However, it is unlikely to be economic to install the additional equipment required to comply with these requirements in the manner specified in the STC. Alternative operational arrangements are required and are currently being explored by NGET.
	Section K2	Reactive power capability and voltage control	At the Interface Point, the Offshore Network in coordination with the Offshore Wind Turbines is only capable of maintaining Unity Power Factor. There is no capability to provide a reactive range or voltage control to the defined requirements. Enforcement of this requirement would result in substantial reinvestment by the Developer or OFTO.
	Section K3	Fault ride through	The Offshore Wind Turbines are unable to ride through system faults as specified in the Grid Code. Derogation is requested under the Grid Code against CC.6.3.15 (and was previously granted in respect of these projects in their capacity as LEEMPS – see Table 1 above) but it is not known if any plant or apparatus within the Offshore network is susceptible to tripping. For this reason it is considered prudent to apply for derogation against this requirement.
	Section D, Part One, 2.2.6	Compliance of offshore transmission system with technical parameters defined in Grid Code (CC.6.1, CC.6.2, CC.6.3, CC.6.4 and PC6.3)	Section D Part One 2.2.6 of the STC places a requirement on each Transmission Owner to ensure that each Transmission Owner shall ensure that Transmission System complies with the minimum technical design and operational criteria and performance requirements set out or referred to in Connection Conditions 6.1, 6.2, 6.3 and 6.4 and in Planning Code 6.2 and /or 6.3 as applicable. The Offshore network was not built to the technical and design criteria defined in the Table of Appendix E of the Planning Code. For the avoidance of doubt this derogation request only applies to PC 6.3 and not the other sections of the Grid Code outlined in CC,6.1, CC.6.2, CC.6.3 or CC6.4 as referred to in STC Section D Part One 2.2.6.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Site	STC Obligation	Summary of content	NGET's reasons for derogation request
Gunfleet Sands I Gunfleet Sands II	Section K2.3.2(b)	Offshore transmission system operating requirements if not providing voltage control	At the Interface Point, with some of the wind turbine generators out of service, the Offshore Network is unable to control the reactive capability to within ±5% of the Interface Point capacity expressed in MVAr. To insist on this requirement would necessitate additional costs for the Developer. The host DNO are understood to be aware of this issue and do not believe it to be a significant issue.

Relevant transitional projects' views

We have sought the views of the transitional projects referred to above in relation to NGET's request. We received views from nine of the transitional projects. The non-confidential views provided are summarised below[11].

One generator (already operational) agreed with NGET that the derogation should be granted, as compliance would be costly. It noted that the reactive power compliance issue was agreed with NGET and the relevant DNO during the project's design phase, and it considered that retrofitting to meet new requirements cannot be justified.

One generator commented that compliance would require expensive equipment, and could impact on the generator's energisation schedule if it had to change equipment that had already been ordered. A further generator agreed that the derogation requested by NGET in respect of its site is correct.

Three generators identified further areas of non-compliance. One indicated that derogation was required against CC6.2.2 in respect of both Walney I and Walney II, whereas NGET had originally only sought derogation in respect of Walney I. NGET agreed with this assessment, and its request above seeks derogation against CC6.2.2 in respect of both sites.

Two generators considered that NGET required derogation against CC6.5 (Communications plant) in respect of their plant, and one considered derogation was also required against CC6.6 (System monitoring),BC1 and BC2 (Balancing Codes and Balancing Mechanism) and BC3 (Balancing Code – Frequency Control).

NGET did not agree that derogation is likely to be appropriate against CC6.5, as it considers that the change of status of projects from being SVA to CVA[12] registered under the Balancing and Settlement Code ('BSC'), with the consequential change to BM status, requires the appropriate communications facilities being made available to comply with this obligation. NGET has not therefore sought derogation at this stage from CC6.5. However NGET has advised there may be circumstances in which the mandatory requirement to be SVA registered does not apply.

NGET did not agree that it needs derogation against CC6.6. NGET considers that the requirements for Dynamic System Monitoring are, in this case, included in its agreement with the generator rather than through a direct requirement in the Grid Code. As such, NGET views this as an issue between it and the generator.

[11] One of the transitional projects requested that its views were treated as confidential. For that reason, these have not been reflected in this consultation.
[12] SVA stands for 'Supplier Volume Allocation'; CVA stands for 'Central Volume Allocation'. Both are defined in the BSC.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

In respect of BC1, BC2 and BC3, NGET expects that the relevant generator would be required to meet these obligations. However, NGET notes that if the Authority grants NGET derogation from a number of Connection Conditions in the Grid Code, this will result in NGET being unable to satisfy some elements of BC1, BC2 and BC3 in respect of the relevant transitional project.

Relevant Distribution Network Operators' (DNO) views

A number of projects referred to above are connected to the NETS via a distribution network. We have therefore sought the views of the relevant DNO.

Neither of the DNO's contacted by Ofgem objected to the derogations being granted, and neither identified any adverse impacts or distribution licence compliance issues associated with NGET's request.

Ofgem's initial views

Ofgem has considered the information provided by NGET and from the relevant transitional projects and relevant DNOs. In particular we note that:

- the request for derogation arises as a result in the change in classification of the relevant generators from LEEMPS to 'Large Power Station' under the Grid Code or as a result of a change from being embedded to being directly connected generators,
- in all cases set out above, the compliance issues are associated with design and/or installation decisions which were made before the relevant Grid Code and/or STC obligations were implemented or in effect in relation to the relevant transitional projects
- the capability of the generating units would not be affected by the issuing of a derogation,
- it may not be possible to modify the generating plant to achieve compliance,
- requiring compliance with these Grid Code and STC obligations may be a material change to generators that were connected or had terms for connection when the obligations were introduced, and
- in all cases, NGET has identified no significant impacts or risk as a result of the non-compliance.

In light of the information available to us, we are currently minded to grant the requested derogation. In addition, we are also minded, where relevant, to grant derogation in respect of the compliance issues identified by NGET to OFTOs and offshore generators that will have licence obligations to comply with the STC and Grid Code (respectively) in respect of the relevant transitional projects, from offshore Go-Live (currently expected to be June 2010). However, we would welcome views on the issues discussed in this consultation before making a final decision in respect of NGET's request.

We note that a number of generators have identified additional potential areas of non-compliance, and NGET has in some cases agreed that it may not be fully compliant with the obligations identified in all circumstances. We expect NGET to give more detailed consideration to this and identify any further potential areas where derogation may be required, in order that we can make a decision on these issues in the same timescales we expect to make our decision on the request for derogation set out in this letter.

Ofgem is aware that, going forward, NGET, generators and future OFTOs may request further derogations from licence obligations to comply with industry codes and standards (including the Grid Code and/or the STC) in respect of certain transitional projects. Any such future requests will be considered under our usual process for deciding whether to grant derogation requests.

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

Way forward

We would welcome views by 26 November 2009 on any of the matters discussed in this letter. In particular, we would welcome views on the following:

- Do respondents consider there are any impacts associated with the granting of derogation that have not been identified?
- Do respondents consider any party would be materially disadvantaged, or that any party would unduly benefit, were the Authority to grant the derogation?
- Do respondents have any comments on the process NGET has followed in seeking this derogation?
- Do respondents have any concerns or are there any other matters that respondents would like the Authority to consider?
- Do respondents agree that significant costs would be incurred by the generators if any of the requested derogations were not to be granted?

Responses should be sent by email to roberta.fernie@ofgem.gov.uk or to the following address:

Ofgem
Third floor
Cornerstone
107 West Regent Street
Glasgow
G2 2BA

We will publish all non-confidential responses on our website, and take all responses into account when making our decision on NGET's request. We currently expect to make a decision in December 2009.

If you wish to discuss any of the issues referred to in this letter, please contact Roberta Fernie in the first instance at the email address above, or on 0141 331 6015.

Yours sincerely

Stuart Cook
Acting Senior Partner, Transmission and Governance

The Office of Gas and Electricity Markets
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**