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Dear David

DECISION AND NOTICE IN RELATION TO CONSULTATION E/09 (Consequential Grid Code changes relating to CUSC Amendment Proposal 169: Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations)

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 E/09 (Consequential Grid Code changes relating to CUSC Amendment Proposal 169: Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations)³ that has been submitted to it for approval.

The Authority has decided to approve the proposed changes to the Grid Code that are consequential to the approval of Connection and Use of System ("CUSC") amendment proposal CAP169 Working Group Alternative Amendment 3 (WGAA3). The proposed changes are set out in Appendix A Part A (as amended by Parts B and D) of the report to the Authority arising out of Consultation E/09.

This document explains the background to the proposal 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 E/09, Issue 1.0, date of issue 24 November 2009.

<http://www.nationalgrid.com/NR/rdonlyres/408B67DF-1958-4E0F-90FE-94C2C237DD63/38578/ReporttotheAuthorityE09V10.pdf>

Background to the proposed changes to NGET's Grid Code

CUSC amendment CAP169 (Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations) was raised by NGET in February 2009⁴. The CUSC Panel agreed that, if approved, CAP169 would require consequential changes to the Grid Code. A joint CUSC and Grid Code Working Group was established to assess CAP169 and the implications for the Grid Code. During the assessment of CAP169, three Working Group Alternative Amendments (WGAAs) to the original proposal were raised.

As a consequence of the changes to the CUSC proposed by CAP169 (and its WGAA variants), NGET proposed the following changes to the Grid Code:

- Part 1 of CAP169 – the Balancing Code (BC2 Appendix 3) would be amended to add the appropriate capability data table allowing the submission of revised MVAR capability by Power Park Modules, and
- Part 3 of CAP169 – the Planning Code (PC A.3) would be amended to facilitate communication to the System Operator (NGET) about a reactive despatch restriction by both the Distribution Network Operator (DNO) and the embedded generator which would be subject to the restriction. There would be corresponding changes to the Data Registration Code (DRC Schedule 11) and the Operating Code (OC2) and the addition of three definitions in the Grid Code to ensure consistency with the proposed CUSC and Grid Code changes.

Further specific changes were proposed relating to each of the WGAAs. The changes relating to WGAA3 included an additional proposed change to BC2.8, reflecting that where a reactive despatch restriction is in place, no instruction to despatch would be issued by NGET. Full legal drafting for all the changes are set out in the report to the Authority on consultation E/09.

NGET considers that the E/09 Grid Code change proposal will:

- introduce appropriate mechanisms to ensure that the System Operator is notified appropriately regarding the availability of generators for reactive power despatch,
- facilitate the changes to the CUSC proposed by CAP169, and
- facilitate communication to NGET about available reactive power capability and any associated network restrictions.

NGET received four responses to Consultation E/09. NGET reported that:

- all respondents were supportive of at least one of the CAP169 WGAAs and either supported or were neutral towards the corresponding Grid Code changes, and
- one respondent provided drafting suggestions for BC2 Appendix 3 that were intended to improve the clarity of the changes.

NGET noted in its report to the Authority that it had amended the drafting of the proposed Grid Code changes where possible, to take account of the comments received from respondents relating to the clarity of the drafting.

⁴ The detailed background to the CUSC changes proposed by CAP169 appears in the decision on CAP169 issued alongside this decision on E/09 and is available on Ofgem's website:
<http://www.ofgem.gov.uk/CustomPages/Pages/Publications.aspx>

NGET's recommendation

In its report⁵ to the Authority on Consultation E/09 NGET set out the drafting for proposed changes to the Grid Code that are consequential to each of the CAP169 options. It recommended that the Authority approve the proposed changes which NGET considers will facilitate competition in the generation and supply of electricity and promote the security and efficiency of the electricity generation, transmission and distribution system in Great Britain.

Ofgem's views

Grid Code changes require Authority approval under standard licence condition C14 (3) of the Transmission Licence. We have carefully considered NGET's report on the proposed changes. Ofgem considers that, having had regard to the licensee's obligations⁶ set out in standard licence condition C14 (1)(b) of the Transmission Licence ("the obligations") and Ofgem's wider statutory duties⁷, that the proposed changes to the Grid Code associated with CAP169 WGAA3 should be approved.

We note that an Authority decision to approve CAP169 WGAA3 has been issued in parallel to this notice⁸. We also note that the Grid Code change proposals in E/09 are consequential to the CAP169 changes to the CUSC. We acknowledge the importance of promoting consistency between industry codes. We consider that the proposed changes to the Grid Code would enhance the scope of information provided to NGET in respect of actual capability of generation plant (particularly plant connected to a distribution network) to provide reactive power to the system operator. We consider that system operator access to information about the availability (or otherwise) of a wider range of reactive power providers will facilitate competition in generation.

The Authority's decision

For the reason set out above the Authority has decided to approve the Grid Code changes associated with CAP169 WGAA3, set out in Appendix A Part A (as amended by Parts B and D) of the report submitted to the Authority arising from consultation E/09 (Consequential Grid Code changes relating to CUSC Amendment Proposal 169: Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations).

The implementation date for these Grid Code changes will be aligned with that for CAP169 WGAA3, namely, three months after the date of the Authority's decision.

⁵ As required by standard licence condition C14 (2) (a).

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 NGET has to take into consideration and include amongst other things a duty to have regard to social and environmental guidance provided to Ofgem by the government.

⁸ See footnote 5.

Please contact Lesley Nugent (lesley.nugent@ofgem.gov.uk) if you have any queries in relation to the issues raised in this letter.

Yours sincerely

Stuart Cook
Acting Partner, Transmission and Governance

Signed on behalf of the Authority and authorised for that purpose

cc: Richard Dunn, GCRP Secretary