

Change proposal:	Grid Code B/09: Grid Code Requirements for Category 5 Intertripping Schemes		
Decision:	The Authority ¹ directs that the proposed change to the Grid Code ² is not made		
Target audience:	National Grid Electricity Transmission PLC (NGET), Grid Code users and other interested parties		
Date of publication:	5 November 2010	Implementation Date:	N/A

Background to the change proposal

Ofgem has longstanding concerns about the increasing level of constraints costs on the transmission system. The costs of constraints have increased from £70m in 2007/08 to £139m in 2009/10. NGET is forecasting costs of £239m, for the year 2010/11. Going forward, analysis carried out by NGET and separately Frontier Economics has indicated scope for much higher future constraint costs³.

On 17 February 2009, we wrote an open letter⁴ to NGET expressing concerns about the current and forecast levels of constraint costs. Our letter asked NGET to conduct an urgent review to consider (and if appropriate consult on) whether urgent changes to the existing commercial and charging arrangements for transmission access are necessary to manage more effectively the costs of constraints, and to ensure that any constraint costs are recovered on an equitable basis from customers, suppliers and generators.

NGET raised CAP170 'System to Generator Operational Intertripping Scheme' as an 'Urgent' Connection and Use of System Code (CUSC) Amendment Proposal⁵ in February 2009, as one of the measures it had identified to seek to address the issues Ofgem raised in its open letter⁶. CAP170 was proposed as an interim measure until enduring access reforms were implemented. On 2 March 2009, we agreed that CAP170 should be granted 'Urgent' status.

CAP170 would introduce a new category of administered price intertrip service, to be applied to generators located behind any derogated transmission boundary⁷ in GB. An intertrip is a mechanism to automatically reduce or disconnect the electricity a generator is putting onto the transmission system and can be used by NGET to help manage constraints on the transmission system.

The administered price proposed under CAP170 would remunerate affected generators in line with the administered pricing arrangements that currently apply to other categories of intertripping schemes. These prices were introduced by a previous CUSC amendment

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/TAR/Documents1/Frontier_CM_Constraints.pdf

⁴ <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/20090217Managing%20constraint%20s.pdf>

⁵ In accordance with the process set out in CUSC Section 8.21.

⁶ NGET also raised a proposal to amend its charging methodology - GB ECM-18 - Locational BSUoS. Our decision on that proposal is available on our website:

http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/Charging/Documents1/GB_ECM-18_Decision_letter.pdf

⁷ A derogated boundary is one for which derogation from the obligation to comply with the NETS Security and Quality of Supply Standard (SQSS) is in place. In this case, derogation facilitates the connection of generation behind the boundary in advance of reinforcement.

approved by the Authority in June 2005, CAP076⁸ which developed the types of payment to be made to generators to cover the costs of intertrip. Further details regarding CAP170 and its development are provided in the CAP170 decision letter published alongside this letter⁹.

In July 2009, the Secretary of State indicated his intention to use the Energy Act 2008 powers to bring about enduring access reform¹⁰. The Secretary of State subsequently published consultations, in August 2009 and in March 2010, on 'Improving Grid Access'¹¹.

On 11 August 2010, the Secretary of State exercised his powers under section 84 of the Energy Act 2010 to implement a form of Connect and Manage¹². The Secretary of State also made clear that the costs of constraints would be charged back to users of the system on a smeared per MWh basis. These provisions have been reflected in the transmission licence, the CUSC and other industry codes.

As a consequence of raising CAP170, NGET identified that technical changes would be required in the Grid Code to enable the implementation of CAP170 changes (if approved). These changes were raised as Grid Code change proposal B/09.

The change proposal

The proposer (NGET) raised Grid Code change proposal B/09 in February 2009 and circulated it to the Grid Code Review Panel (GCRP) for review prior to consulting with Authorised Electricity Operators on an 'Urgent' timetable running in parallel with the development of CAP170. The proposal, in line with CAP170, would:

- introduce a new category of intertripping scheme (Category 5)
- introduce the concept of a 'Derogated Non-Compliant Transmission Boundary'¹³ at which the new scheme would apply and
- amend existing defined terms and introduce new ones relating to the new category and concept set out above.

The GCRP expressed various concerns about the proposed changes in B/09:

- the description of the Category 5 Intertripping Scheme was not adequate and unspecific
- the circumstances around use of the new Scheme and the availability of data on derogations to system users were unclear
- the use of an 'Urgent' timetable would not allow proper consideration of the nature and complexity of the changes proposed in the Grid Code

⁸ Further information on CAP076 including the Authority's decision can be viewed in the 'Archive Amendments Area' of NGET's website at the following link:

http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/

⁹ The CAP170 decision letter appears on the Ofgem website at:

<http://www.ofgem.gov.uk/Licensing/ElecCodes/CUSC/Amend/Pages/Amend.aspx>.

¹⁰ DECC (2009): 'The Low Carbon Transition Plan',

http://decc.gov.uk/assets/decc/white%20papers/uk%20low%20carbon%20transition%20plan%20wp09/1_20090724153238_e_@@_lowcarbontransitionplan.pdf

¹¹ DECC's consultations and decision on 'Improving Grid Access' can be viewed at the following link:

http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx

¹² Section 84 was commenced on 29 July 2010 by the Energy Act 2008 (Commencement No 5) Order 2010 [SI 2010 No 1888], with an effective date of 11 August 2010.

¹³ See footnote 7 above.

NGET issued a consultation on the proposal which closed in March 2009. There were seven responses to the consultation, none of which supported the proposal on the grounds that a lack of detailed assessment of the changes had occurred. Concerns were also expressed about the urgency with which the proposal had been progressed which affected the level of assessment undertaken.

NGET's recommendation

NGET submitted its final Report on the proposal to the Authority in March 2009. In NGET's view, the changes proposed by B/09 would enable the implementation in the Grid Code of the CAP170 changes to the CUSC (if approved). The Grid Code changes would better facilitate Grid Code objective (i)¹⁴ "to permit the development, maintenance and operation of an efficient, co-ordinated and economical transmission system for the transmission of electricity", by ensuring consistency between the Grid Code technical requirements and the CAP170 commercial arrangements for Category 5 Intertripping Schemes, allowing more efficient use of the transmission system within existing technical and safety parameters.

NGET noted that a post-implementation review of the proposed changes could take place after any Authority approval of CAP170 and B/09 in order to address the concerns of the GCRP and consultation respondents.

The Authority's decision

The Authority has considered the issues raised by the change proposal and in the final Report dated 25 March 2009. The Authority has considered and taken into account the responses to NGET's consultation on the change proposal which are included in the final Report¹⁵.

The Authority has concluded that implementation of the change proposal will not better facilitate the achievement of the objectives of the Grid Code.

Reasons for the Authority's decision

We have also published our decision letter on CAP170 today. That letter states that we are rejecting the changes to the CUSC proposed by CAP170. The reasons for rejecting CAP170 are also set out in that letter. As a result of the rejection of CAP170, we are directing that change proposal B/09 is also not made.

Grid Code objective (i) "to permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity"

In our view, the changes proposed by B/09 do not take effect on a standalone basis. They are proposed as a consequence of the proposed changes in CAP170 and, therefore, should not take effect unless the CAP170 changes are also made. It would not facilitate the efficient and economic operation of the transmission system (Grid Code objective (i)) to approve B/09 and introduce changes to the Grid Code when these are enabling changes only, reliant on proposed changes to the CUSC which have been rejected.

¹⁴ The relevant Grid Code objectives are at Standard Licence Condition C14(1)(b) of NGET's Transmission Licence see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=14343

¹⁵ Grid Code proposals, final reports and representations can be viewed on NGET's website at: <http://www.nationalgrid.com/uk/Electricity/Codes/gridcode/consultationpapers/>

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that change proposal Grid Code B/09: '*Grid Code Requirements for Category 5 Intertripping Schemes*' not be made.

Stuart Cook
Senior Partner, Smarter Grids & Governance

Signed on behalf of the Authority and authorised for that purpose