

Amendment proposal:	System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CA039: Amendment of outage planning timescales to enable more coordinated outage planning		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission plc, parties to the STC and other interested parties		
Date of publication:	17 August 2011	Implementation Date:	24 August 2011

Background to the amendment proposal

On 17 February 2009 Ofgem published an open letter requesting National Grid Electricity Transmission plc (NGET) in its role as the System Operator (SO) for the National Electricity Transmission System (NETS)³ to conduct an urgent review of the existing commercial and charging arrangements to consider whether changes are necessary to manage more effectively the costs of constraints⁴.

In March 2009 we initiated a consultation setting out initial proposals on addressing market power concerns in the wholesale sector⁵. The March 2009 consultation noted that concerns had been raised in the context of market power regarding whether the incentives on the SO and transmission owners (TOs) are sufficiently aligned with respect to minimising the frequency and severity of transmission constraints.

In response to the March 2009 consultation, NGET agreed to give further thought to ways in which improvements could be made to the alignment between the general incentives of NGET and the TOs with respect to minimising transmission constraint costs. An initial consultation, setting out NGET's broad thoughts reflecting discussions with the Scottish TOs, was published in September 2009⁶.

In the course of industry debate, NGET identified a number of potential improvements that were related to aspects of the outage planning process that would benefit from further clarification and modification. One area for potential improvement identified by NGET relates to the outage planning timescales.

Our RIIO-T1 work in this area, while separate to this amendment, is common in purpose. This work will determine the price control for TOs from 2013, including various policies aimed at improving the effectiveness of the ways in which TOs and SO work together. For example, TOs are establishing network availability policies which they will be held accountable for delivering.

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 The NETS (currently split into three transmission licence areas which are defined as England and Wales, South of Scotland and North of Scotland) will be extended into offshore waters at a point where assets are treated as part of the NETS.

⁴ Available from Ofgem's website:

<http://www.ofgem.gov.uk/Markets/WhlMkts/EffSystemOps/SystOpIncent/Documents1/20090217Managing%20constraints.pdf>

⁵ Published on 30 March 2009, available from Ofgem's website:

<http://www.ofgem.gov.uk/Markets/WhlMkts/CompandEff/Documents1/Market%20Power%20Concerns-%20Initial%20Policy%20Proposals.pdf>

⁶ Available from NGET's website: <http://www.nationalgrid.com/NR/rdonlyres/FB4A9925-15AB-462A-B516-33543A44B460/37082/PotentialEnhancedElectricityTransmissionOwnerIncen.pdf>

The proposed Amendment

The proposer (NGET) raised CA039 in July 2010. The proposed amendment was subject to the full assessment process under the STC rules, including referral to the Evaluation Phase prior to proceeding to the Assessment and Report Phase. The former required the establishment of a working group and the latter was conducted by the STC Committee⁷.

The proposed amendment would modify the STC legal text to extend the current outage proposal submission timescales from one financial year to two financial years. We note that the proposed amendment seeks to amend an existing process relating to outage proposal submission timescales. Hence, CA039 is purely administrative in nature. The change will enable NGET (as SO) to receive more outage information from the TOs earlier relative to the current process, which could help in coordinating outages of TO boundary equipment more efficiently and potentially help in reducing operational costs across the system.

To facilitate this change the proposed amendment would amend the following sections of the STC:

- Section C (Transmission Services and Operation) Part Two (Transmission Outage Planning) - such that each TO must submit to NGET the final version of the TO's Outage Proposal submission for the following financial year (Year 1) and the subsequent year (Year 2) instead of just for Year 1 as currently. The first year submission will remain as it currently is and the second year Outage Proposal will list key outages on the Main Interconnected Transmission System (MITS) agreed between the licensees only; and
- Section J (Definitions) - to include new definitions to facilitate the type of outage proposals for Year 2.

CA039 on its own will not necessitate changes to the Transmission Licence.

In the proposer's view, CA039 would better facilitate STC Applicable Objectives (a) to (f). In addition, the proposer considers that CA039 has a cost neutral environmental impact due to its administrative nature.

Responses to the STC Committee consultation

The STC Committee agreed to refer CA039 to an Evaluation Phase, in accordance with Section B, paragraph 7.2.4 of the STC. This required the establishment of a working group by the STC Committee⁸. The working group met twice during the maximum two month period allowed for an Evaluation Phase and concluded on 20 September 2010 that the terms of reference had been met.

The STC Committee then undertook an Assessment and Report consultation in accordance with Section B, paragraph 7.2.5.2 of the STC. All the existing STC parties responded indicating that there would be no physical impact on their systems. All STC parties, except NGET, indicated that the proposed amendment would require no changes to their information systems; NGET indicated that there would be minor changes to their

⁷ Section B of the STC deals with 'Governance'. The STC Committee is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

⁸ The terms of reference for the working group are available in annex 3 of the final Amendment Report.

Transmission Outages, Generation Availability (TOGA) system⁹. No STC party indicated that there would be a cost involved in implementing CA039. The three existing STC parties did note that additional resource will be required to manage the additional data but did not indicate the level of cost associated with this additional resource.

There was one response to the consultation supportive of CA039.

STC Committee recommendation

The STC Committee recommended that CA039 should be approved with an implementation date five business days after the Authority's decision. The Committee agreed with the proposer that CA039 would better facilitate STC Applicable Objectives (a) to (f).

The Authority's decision

The Authority has considered the final Amendment Report for CA039, including the proposed legal text, originally submitted on 13 July 2011 and subsequently revised and re-submitted on 15 August 2011, and the response to the CA039 consultation. The Authority has concluded that implementation of the amendment proposal would better facilitate the achievement of the STC Applicable Objectives¹⁰.

Reasons for the Authority's decision

Applicable Objective a (efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act)

The proposed amendment is an administrative change to the legal text of the STC. With this in mind, and based on the qualitative assessment of the amendment provided by the report, we agree with the proposer that CA039 better facilitates the efficient discharge of the licensees' obligations in line with this objective.

Applicable Objective b (development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission)

The amendment proposal seeks to amend the outage proposal submission from the TOs to NGET (at week 28) from one to two years. The second year outage proposal will reflect the key outages for a subset of the MITS as agreed between licensees. The proposer considers that this will enable NGET to plan, align and coordinate key outages further than one year in the future. In addition, we note that it is also anticipated that, when Year Two becomes Year One, amendments to the outage proposal submissions should be minimised relative to the existing administrative process, as any outage alignment will already have occurred.

We agree that having two years worth of data will enable NGET to plan over a longer term and in more detail. We note that this should enable NGET to identify alternative ways of delivering the TOs outage change requirements. We consider this to be a beneficial change as it should reduce the instances of key outages becoming known for the first time at the year-ahead stage. This should facilitate more coordinated outage

⁹ TOGA is used by NGET to manage the data submitted under Grid Code Operating Code (OC)2 requirements - Operational Planning and Data Provision.

¹⁰ The Applicable Objectives are set out in Standard Licence Condition B12 (3) (a) to (f) of the Transmission Licence.

planning and enable more efficient outage placement by NGET overall. We therefore agree that the proposed amendment would better meet this objective.

Applicable Objective c (facilitating effective competition in generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity)

We agree with the proposer that the potential for NGET to plan, align and coordinate key outages between NGET and the TOs in a more efficient manner as a result of this amendment proposal should, if the potential coordination benefits are realised, allow for a more efficient outage plan and potentially help to improve access to the system. Against this background, we agree that the proposed amendment would better meet this objective.

Applicable Objective d (protection of security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees)

We agree that the proposed amendment will result in a more efficient outage plan which will allow for bundling of works on circuits simultaneously and potentially help to ensure that the electricity transmission system will be more secure. We agree that the proposed amendment would better meet this objective.

Applicable Objective e (promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC)

We agree with the proposer that efficient administration of the STC and the promotion of good industry practice requires the appropriate alignment of a communication process and data exchange. Improving the administrative process that exists between the SO and TOs on outage planning would better meet this objective.

Applicable Objective f (facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system)

We agree that the proposed amendment will result in a more efficient outage plan which will improve the effectiveness and planning horizon for access to the transmission system and therefore improve the facilitation of system access required for the connection of future generation. We therefore agree that the proposed amendment would better meet this objective.

Other issues arising from CA039

We note that the STC Committee has identified the need for a review of the governance processes with respect to the use of the Evaluation Phase under the STC and that NGET has raised STC amendment CA043 to facilitate this. We note that the adoption of good industry practice through the STC amendment procedures should be instigated as soon as practicable.

We also note the proposer's view that changes to the detailed requirements regarding the outage planning process arising out of the proposed change to the administrative process set out in CA039 are needed. These detailed requirements are set out in changes to the

relevant STC Procedures (STCPs) 11-1, 11-3 and 16-1 and are being progressed by STC parties as STCP changes PA059, PA060 and PA061.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority has decided to direct that proposed Amendment STC CA039 '*Amendment of outage planning timescales to enable more coordinated outage planning*' should be made.

Hannah Nixon

Partner, Smarter Grids and Governance

Signed on behalf of the Authority and authorised for that purpose