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| Change proposal: | Grid Code (Grid Code C/10): Grid Code Requirement for Electronic Communication Facilities between NGET and BM Participants | | |
| Decision: | The Authority ¹ directs that the proposed change to the Grid Code ² be made | | |
| Target audience: | National Grid Electricity Transmission PLC (NGET), Grid Code users and other interested parties | | |
| Date of publication: | 8 September 2011 | Implementation Date: | To be confirmed by NGET |

Background to the change proposal

NGET is obliged under its licence, in its role as the National Electricity Transmission System Operator (NETSO), to coordinate and flow electricity across the National Electricity Transmission System (NETS) in an efficient and economical manner. NGET performs this role by accessing:

- balancing (ancillary) services provided by users of the NETS,
- bids and offers made by users into the Balancing Mechanism³ (BM), and
- the use of other services such as energy trades.

NGET accesses balancing services primarily through the use of Electronic Despatch Logging⁴ (EDL). In the Grid Code, the EDL equipment used to access balancing services is referred to as an 'automatic logging device'. In the event that the EDL fails, Control Telephony is used as a backup system. The user provides and installs an EDL terminal at its premises (known as the Control Point), consisting of a computer and relevant software. NGET provides the necessary communication links and connection equipment connecting to an EDL terminal at the User's Control Point (where it is GB based)⁵.

The Grid Code Connection Conditions (CC6.5.8) currently requires installation of EDL only for the User that wishes to participate in the BM. A user may choose whether to participate in the BM – any user who chooses not to participate is not required to install EDL equipment. NGET considers that this creates confusion within the Grid Code as the Grid Code Balancing Code (BC2.6.1) refers to ancillary service instructions being given by the automatic logging device. Where a user chooses not to participate in the BM but could provide System Ancillary Services (reactive power and frequency response) to NGET, it will not have a requirement to install EDL equipment.

NGET is concerned with the risk of increasing amounts of wind generation connecting to the NETS that choose not to participate in the BM and are therefore not required to install EDL equipment. As a result, a significant percentage of the plant mix would not be able to efficiently provide balancing services which NGET may need to operate an efficient, economic and coordinated transmission system.

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 NGET uses the Balancing Mechanism to balance the system for each half hour of wholesale electricity traded (the settlement period) for one hour after the point that market trading of electricity ends (Gate Closure).

⁴ NGET sends instructions regarding the balancing services it requires by EDL. Users (generators) submit data by EDL in response.

⁵ Initial installation costs to a user are around £30,000 per site, with some (variable) ongoing costs.

Approximate costs to NGET of installing EDL and Control Telephony are £30-40k per site with ongoing costs of around £7,000.

The change proposal

NGET raised Grid Code change C/10 in May 2010. A Working Group was convened to discuss the proposal and an industry consultation was carried out. The final proposal would amend a number of Grid Code provisions to clarify when installation of an automatic logging device is required. The proposed changes would not affect the existing requirement on users to install EDL equipment if they choose to participate in the BM but would clarify that:

- where a generator provides Part 1 System Ancillary Services (CC8.1) such as frequency response and reactive power⁶, it would be required to install EDL equipment. NGET could waive this requirement to install if it was demonstrated that installation would not be efficient

Only generators with a connection completion date of 1 January 2013 and after, and which are required to provide Part 1 System Ancillary Services, would be affected.

NGET's recommendation

In NGET's view, Grid Code change C/10 should be approved. The proposed changes to the Grid Code would better facilitate Grid Code objectives (i), (ii) and (iii) by ensuring that NGET has access to balancing services from as wide a range of generation as possible through the expanded use of the existing effective means of communicating this information, namely, an automatic logging device. NGET considers that this would enhance its ability to operate an efficient and economical transmission system. NGET also considers that this expanded access would improve the overall security of the transmission system.

The Authority's decision

The Authority has considered the issues raised by the change proposal and in the final Report dated 4 August 2011. The Authority has considered and taken into account the responses to NGET's consultation on the change proposal which are included in the final Report⁷. The Authority has concluded that:

1. implementation of the change proposal will better facilitate the achievement of the objectives of the Grid Code⁸; and
2. approving the change is consistent with the Authority's principal objective and statutory duties⁹.

Reasons for the Authority's decision

In our view, appropriate code obligations are needed to ensure that a licensee is able to meet its licence obligations. Users who are code signatories are required to undertake relevant actions to assist the licensee in doing so. In this case, NGET has identified an issue where a choice, rather than a requirement, to install EDL equipment may be affecting its ability to meet its licence obligation to operate an efficient, economic and

⁶ All large generators are required to provide NGET with reactive power under the Grid Code (CC8.1).

⁷ Grid Code proposals, final reports and representations can be viewed on NGET's website at:

<http://www.nationalgrid.com/uk/Electricity/Codes/gridcode/consultationpapers/>

⁸ As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=14343

⁹ The Authority's statutory duties are wider than matters which NGET must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

coordinated transmission system, in particular its ability to secure balancing services from the widest possible range of generation.

We agree with NGET and the respondents to the C/10 consultation that Grid Code objectives are met by the change proposal.

Grid Code objective (i) 'to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity'

In our view, NGET's ability to access more Control Points by the installation of EDL equipment should enable a wider range of generation to contribute to balancing through the provision of Part 1 balancing services. We note that the Working Group discussed the implications for the numbers of potential generators affected. We agree that, though the potential numbers of generators affected may vary, NGET will also have the ability to be flexible in its assessment of whether installation of EDL equipment is required and whether installation is cost effective.

On this basis, we agree that the proposed solution represents a means by which NGET can better meet its obligation to operate an efficient and economical transmission system in a coordinated manner and better facilitates this objective.

Grid Code objective (ii) 'to facilitate competition in the generation and supply of electricity'

We agree that access to a wider range of balancing services by NGET could also help promote greater competition amongst generators able to provide the relevant balancing services. NGET could secure balancing services in a more cost effective manner which would allow it to meet its licence obligation economically.

We therefore agree that the proposed solution may potentially increase competition in the provision of balancing services over the long term and better facilitates this objective.

Grid Code objective (iii) 'to promote the security and efficiency of the electricity generation, transmission and distribution systems'

We agree that the increased availability of balancing services that access through EDL equipment would allow can assist NGET as the NETSO to enhance the overall security of the NETS. The proposed change also removes an anomaly in the Grid Code provisions regarding the need to provide balancing services instructions by automatic logging device whether the generator chooses to participate in the BM or not.

We therefore agree that the proposed solution can enhance overall system security by increasing NGET's access to balancing services and better facilitates this objective.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that change proposal Grid Code C/10: '*Grid Code Requirement for Electronic Communication Facilities between NGET and BM Participants*' be made.

Hannah Nixon

Acting Senior Partner, Smarter Grids and Governance - Transmission

Signed on behalf of the Authority and authorised for that purpose