

Change proposal:	Grid Code F/11: Generator Led Due Diligence Review		
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:	30 April 2012	Implementation Date:	10 business days after Authority Decision

Background to the change proposal

In December 2010 changes were made to the Grid Code and the Connection and Use of System Code (CUSC), using Secretary of State powers, to introduce a generator build option as part of the enduring offshore transmission regime³. These changes place obligations on generators wishing to undertake activities otherwise undertaken by the offshore transmission owner (OFTO) to design and build offshore transmission assets that meet the minimum standard of offshore transmission system performance and design.

Ofgem recognised that the original Grid Code and CUSC changes to introduce a generator build option were developed and implemented in a short timeframe and proposed that National Grid Electricity Transmission PLC (NGET) undertake a due diligence review of the Grid Code and CUSC against the original high level principles for generator build.

NGET, with Ofgem's assistance, has since undertaken a due diligence review of the Grid Code (conducted between July and August 2011) and has identified some minor changes to Grid Code and to the CUSC.

The change proposal

NGET raised change proposal F/11 in November 2011. The proposal seeks to implement changes to the Grid Code arising from the due diligence review of the offshore generator build options referred to above. Whilst the review did not identify any unintentional interactions as a result of the changes which were made in December 2010, it did highlight a number of suggested amendments to improve the clarity of the arrangements and the consistency between the changes which were made.

The change proposal includes changes to the following sections of the Grid Code:

- amend the Glossary and Definitions to:
 - obtain consistency with the CUSC
- amend the Planning Code (PC) to:
 - clarify that arrangements for connections to onshore distribution systems will be set out in the generator's Bilateral Connection Agreement (BCA)
 - clarify data provision requirements
 - reference the new schedule 18 to the Data Registration Code (DRC)

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 Details of these changes and the background to the enduring offshore regime are set out in the DECC/Ofgem joint document 'Government response to offshore transmission consultations' (ref 157/10) published on 15 December 2010 and available on the Ofgem website:

<http://www.ofgem.gov.uk/Networks/offtrans/pdc/cdr/Cons2010/Documents1/Government%20response%20to%20offshore%20transmission%20consultations.pdf>

- amend the Connection Conditions (CC) to:
 - clarify that arrangements for connections to onshore distribution systems will be set out in the generator's BCA
 - clarify the minimum technical, design and operational criteria that must be complied with by any generator undertaking generator build
- amend the Data Registration Code (DRC) to:
 - clarify data provision requirements
 - introduce new schedule 18 that sets out the data to be provided by any generator undertaking generator build.

NGET has also progressed a change to the CUSC (CMP200) to implement changes to that code arising from the due diligence review. NGET has used its experience from the transitional offshore tender rounds to develop the changes needed for the enduring regime as is reflected in the proposal.

The changes were consulted on from 3 February 2012 to 2 March 2012; three responses were received.

NGET's recommendation

On 22 March 2012, NGET submitted a final report to the Authority recommending that change proposal F/11 is implemented. In NGET's view, the proposal would better facilitate Grid Code objectives (i) and (iii), by providing additional clarity around the requirements for offshore generators that have opted for the generator build option, and should be approved.

As the due diligence review examined the original changes made to both the Grid Code and CUSC, NGET considers that the further proposed changes to both codes be implemented in parallel.

The Authority's decision

The Authority has considered the issues raised by the change proposal and in the Final Report dated 22 March 2012. The Authority has considered and taken into account the responses to NGET's consultation on the change proposal which are included in the final Report⁴. The Authority has concluded that:

- 1. implementation of the change proposal will better facilitate the achievement of the objectives of the Grid Code⁵; and**
- 2. approving the change is consistent with the Authority's principal objective and statutory duties⁶.**

Reasons for the Authority's decision

We note that the changes which were made to the Grid Code (and to the CUSC) in order to implement generator build provisions in December 2010 were made in a relatively short period of time and acknowledge the value of conducting the due diligence review

⁴ Grid Code proposals, final reports and representations can be viewed on NGET's website at:

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

⁵ 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

⁶The 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.

previously referred to so as to identify any further refinements required to these provisions of the codes.

We also note that the changes included in the proposal do not introduce new arrangements but are intended to clarify the obligations placed on generators undertaking generator build. NGET has not identified any adverse impacts resulting from the proposed changes to the Grid Code.

We note that NGET consulted Authorised Electricity Operators on this issue and that three responses were received, from EDF Energy, RWE and Scottish Power respectively. All respondents were supportive of the proposal.

EDF Energy was in agreement that the suggested changes would improve the clarity of the arrangements for generator build and would provide consistency across the codes. It highlighted its particular support for the early provision of relevant information that can better facilitate the generator's decision process in regards to the various build options available. There was similar support for consistency and clarification in terms of the arrangements that apply to OFTOs under the System Operator Transmission Owner Code (STC) to ensure that data submitted under generator build by the generator was aligned with the data to be provided by the OFTO under the STC.

Scottish Power was also in agreement that the changes would improve clarity of these arrangements and provide consistency across the codes. In its view the changes would better facilitate Grid Code objectives (i), (ii) and (iii)⁷ and their implementation should be aligned with the CUSC changes described above.

RWE were supportive of the changes, subject to the following:

- Concerns were expressed regarding CC.6.2.1.1 (a) and reference being made to the design of the Offshore Transmission System User Asset (OTSUA) connections being consistent with 'Licence Standards.' It was suggested the phrase 'Licence Standards' was ambiguous. NGET state that it is clear that 'Licence Standards' refer to the National Electricity Transmission System Security and Quality of Supply Standards (NETS SQSS) as per the definition in the Grid Code. We note that the term 'licence standards' is defined in relation to the standards set out in standard conditions C17, D3 and E16 of the electricity transmission licence, which in turn refer to the NETS SQSS.
- RWE commented that the technical requirements outlined in CC.6.3.2 (b) should apply to Offshore System Development User Assets (OTSUA); however, NGET confirmed that CC.6.3.2 (c) achieves this. We note that C.C.6.3.2(c) was amended in December 2010 to include OTSUA, as part of the code changes introducing generator build, made at that time using Secretary of State's powers.
- RWE commented that the suggested change to CC.A.3.1 (viii) imposing obligations regarding minimum frequency response were not housekeeping changes, not appropriate for this consultation and lacking in explanation. NGET were in agreement with this view and have deleted this suggested change from the proposal, as is reflected in the proposed legal text.

The Authority has taken all of these views into consideration in making its decision in respect of the proposal.

⁷ As defined below.

In our view, the proposal does better facilitate the achievement of Grid Code objectives (i) and (iii). We note that the impact of the proposal on Grid Code objectives (ii) and (iv) is neutral.

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

We note the comments included in the final report and agree with those that this proposal will clarify generator build arrangements. The implementation of these further code changes should remove current ambiguity and clarify requirements to be met by generators, which in turn should make the development of the offshore transmission network more efficient. This is consistent with the obligation in the Electricity Act 1989 on NGET to develop, maintain and operate an economic and efficient transmission system.

For this reason, we consider that the proposal better facilitates this Grid Code objective.

Grid Code Objective (iii) 'to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole'

We note the comments included in the Final Report and agree that the additional clarity these changes intend to introduce regarding the build choices available to users should facilitate efficiency in the development of the offshore transmission network.

For this reason, we consider that the proposal better facilitates this Grid Code objective.

In conclusion, in addition to contributing to the fulfilment of the relevant Grid Code objectives, we consider that the proposal is consistent with our principal objective to protect the interests of consumers and with our statutory duties.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority, hereby directs that change proposal Grid Code F/11 'Generator Led Due Diligence Review' be made.

Paul O'Donovan

Head of Regulatory and Support Services, Offshore Transmission

Signed on behalf of the Authority and authorised for that purpose