

Change proposal:	Grid Code A/10: Generator Compliance		
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:	26 July 2012	Implementation Date:	17 August 2012

Background to the change proposal

NGET has in place a process for assessing whether generators who connect to the National Electricity Transmission System ("NETS") and, where relevant, to the distribution networks operated by Distribution Network Operators ("DNOs") meet certain technical requirements for a connection. The process by which NGET assesses these technical requirements is known as compliance testing.

The technical requirements that NGET assesses a connection must meet are set out in the Grid Code³ and are related to, amongst other things, the technical capabilities of the generator, and the provision of planning data and the submission of operational data to NGET by the connecting generator. NGET requires this information to allow it to meet its licence obligations to plan and operate the NETS efficiently and economically. The technical requirements apply during the commissioning phase for new generators and throughout the operational life of connected generation. They also apply to Licence Exemptible Embedded Medium Power Stations⁴ ("LEEMPS") and are facilitated through relevant provisions in the Distribution Code.⁵ The detailed compliance testing rules are currently set out in published Guidance Notes⁶ and sit outside of the Grid Code and the Grid Code governance arrangements through which changes to the Grid Code are made.

In September 2007, a Grid Code Compliance Workgroup (the "Workgroup") was established to review and consider the technical performance obligations and codification of the compliance process. A review of the compliance arrangements for LEEMPS was also included within the remit of the Workgroup. The Workgroup's recommendations for changes to the Grid Code regarding technical performance were made through Grid Code change D/08, which we approved in November 2008.⁷ The Workgroup's consideration of how to codify the compliance process resulted in a report in January 2009 proposing changes to the Grid Code. After further consultation by the Grid Code Review Panel ("GCRP"), a revised Workgroup report was published in December 2009. As a result of this report, NGET raised Grid Code change A/10 to incorporate the Guidance Notes directly into the Grid Code.

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

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

³ There may be other technical requirements in other codes and agreements that generators must meet, for example the Distribution Code.

⁴ LEEMPS generators are connected to the distribution networks and have an operating capacity of between 50MW and 100MW.

⁵ Information about the Distribution Code appears at: <http://www.energynetworks.info/dcode-homepage/>.

⁶ The Guidance Notes are available on NGET's website: <http://www.nationalgrid.com/uk/Electricity/Compliance/>

⁷ The D/08 decision letter appears on the Ofgem website: <http://www.ofgem.gov.uk/Licensing/ElecCodes/GridCode/Mods/Pages/Mods.aspx>.

The change proposal

NGET raised Grid Code change A/10 in January 2010. The proposal sought to:

- modify the Grid Code to formally define the process relating to transmission connected generator compliance and its assessment;
- incorporate the Guidance Notes for compliance testing into the Grid Code by making appropriate like-for-like amendments to the Glossary and Definitions, Connections Conditions, Operating Code, Data Registration Code and Planning Code;
- set out provisions for compliance testing of LEEMPS generators; and
- set out that compliance testing of offshore generators (offshore Power Park Modules) would be the responsibility of NGET, with testing taking place onshore.⁸

An initial consultation with Grid Code users and other interested parties took place in February 2010 following which a number of issues were identified. NGET considered that there was broad industry support for the principles of the proposal. However a number of respondents were concerned about the complexity of the proposed changes to the Grid Code, in particular, the structure and layout of the revised drafting in the Grid Code. There were also concerns about the arrangements for compliance testing of LEEMPS generators.

NGET undertook a further consultation with Grid Code users in February 2011 on a revised version of the A/10 change proposal. The revised proposal seeks to:

- amend a number of Grid Code sections, the Glossary and Definitions, Connections Conditions, Operating Code, Data Registration Code and Planning Code, to incorporate the Guidance Notes through appropriate like-for-like drafting; and
- incorporate the bulk of the compliance testing provisions in a new section within the Grid Code entitled 'Compliance Processes' instead of within different existing sections.

The revised proposal also:

- sets out the compliance testing processes for Offshore Transmission System Development User Works ("OTSDUW"), where the generator is constructing the assets for offshore transmission connecting to the NETS⁹ consistent with those applying to onshore generators
- removes all elements of the original proposal related to LEEMPS compliance testing while further consideration is given to the compliance regime applicable to LEEMPS connections by a joint Workgroup established by the GCRP and the Distribution Code Review Panel ("DCRP").¹⁰

⁸ The technical requirements for compliance testing of offshore generation are set out in the System Operator-Transmission Owner Code (STC) Section K.

⁹ The Authority consulted on introducing offshore 'generator build' options in autumn 2010. The Authority's decision on 'generator build' options (December 2010) can be found here: <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=97&refer=Networks/offtrans/pdc/cdr/Cons2010>.

¹⁰ A joint Workgroup to assess LEEMPS issues was established by the GCRP and DCRP after July 2011.

Responses to the consultation on the revised proposal suggested broad support for the revisions to the legal text and welcomed the greater clarity and consistency of the revised text and the increased transparency which the inclusion of compliance testing arrangements in the Grid Code would provide. As a result of the removal of the elements relating to LEEMPS, consequential change proposals raised by NGET to other industry codes at the time of the first consultation on A/10 were withdrawn. The change proposal does not now affect any industry document other than the Grid Code.

NGET submitted the final report to us on the change proposal in August 2011. However, after considering comments raised by us about the clarity and consistency of the legal text submitted, further changes which do not materially affect the proposal were made to the legal text. These changes are set out in the final report which was re-submitted to us on 25 June 2012.

NGET's recommendation

In NGET's view, the revised proposal improves the structure and transparency of compliance testing processes for all generators and manufacturers of generation equipment by incorporating these into the Grid Code. NGET considers that the consistent application of the processes and increased transparency would better meet Grid Code objectives (i) by permitting the development of an efficient, coordinated and economical electricity transmission system and (ii) by facilitating competition in the generation and supply of electricity.

The Authority's decision

We have considered the issues raised by the change proposal and in the final Report dated 25 June 2012. We have considered and taken into account the responses to both of NGET's consultations on the change proposal which are included in the final Report.¹¹ We have concluded that:

1. implementation of the change proposal will better facilitate the achievement of the objectives of the Grid Code set out below¹²; and
2. approving the change is consistent with the Authority's principal objective and statutory duties.¹³

Reasons for the Authority's decision

We set out the reasons for our decision below against the Grid Code objectives which we consider are relevant to our decision. For the other Grid Code objectives, we consider that the change proposal has a neutral effect.

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

The change proposal seeks to define:

¹¹ Grid Code proposals, final reports and representations can be viewed on NGET's website at:

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

¹² As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, see:

<http://epr.ofgem.gov.uk/Pages/EPRInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRFiles%2fElectricity+transmission+full+set+of+consolidated+standard+licence+conditions+-+Current+Version.pdf>

¹³ 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.

- a process that should be followed by NGET and Users seeking confirmation that they may energise;
- processes that should be followed by NGET, Generators and DC Converter Station owners when assessing and demonstrating compliance with applicable technical performance requirements;¹⁴ and
- process requirements that may interact with other dispute resolution processes (in the Grid Code and the Connection and Use of System Code (CUSC)) and also with Ofgem's derogation process.¹⁵

We note that the proposed Grid Code requirements are substantially based on existing compliance testing processes that NGET put in place with the assistance of published NGET Guidance Notes. We acknowledge that there has been extensive industry wide involvement in the development of this change proposal. We consider that the proposal to incorporate obligations relating to the assessment and demonstration of compliance with technical performance requirements applicable to these types of power stations and DC Converter Stations:

- is supported by respondents to NGET's consultation;
- will add clarity and transparency to current practices; and
- does not materially change existing requirements to demonstrate technical compliance.

Amendments to the structure of the proposed legal text have resulted in a new 'Compliance Processes' section. Including most of the relevant provisions from the Guidance Notes in this new section should ensure that the compliance assessment process is visible to all generators and manufacturers and suppliers of generating equipment whilst ensuring that the process applied is consistent for all Users. NGET has improved the clarity of the proposed text changes following comments from consultation respondents.

We consider the codification of the Guidance Notes in the Grid Code will improve the understanding of those who wish to connect to, or are already connected to, the NETS, and manufacturers and suppliers of generation equipment, about the compliance testing requirements. There is greater transparency of the technical requirements by their inclusion in Grid Code and the opportunity to revise these requirements more effectively through the open governance arrangements if required. As a result, there should be a positive impact on NGET's ability to develop, maintain and operate an efficient and economical transmission system.

For these reasons, we consider that the proposal better facilitates this code objective.

Grid Code objective (ii) 'to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate

¹⁴ Defined in other parts of the Grid Code, primarily as part of the Connection Conditions.

¹⁵ Available on the Ofgem website here:

<http://www.ofgem.gov.uk/Networks/Tech/TechStandds/Derogtns/Documents1/090119DerogationsGuidance.pdf>

electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity)’

We note and agree with NGET’s view that the increased transparency of the compliance testing requirements will help ensure and create the consistent treatment of prospective and existing generators in compliance testing arrangements. This approach should continue to ensure a level playing field for these parties with potential benefits for competition.

We therefore agree that the proposed change better facilitates this code objective.

Other issues

Process for Seeking Permission to Energise

We assessed the Grid Code requirements in respect of energisation of any User which have been proposed as part of the new Compliance Processes section of the Grid Code.

As part of the introduction of the new Compliance Processes section, the proposed CP.5.4 obligations would require a User to submit to NGET a Certificate of Readiness to Energise High Voltage Equipment. The form of certificate is not defined but it must be in a form acceptable to NGET. The proposed change would also define an obligation for NGET to issue an Energisation Operational Notification (“EON”) when conditions have been met to NGET’s satisfaction.

We note that these proposed changes are not clearly within the stated intent of a proposal to introduce requirements relating to generator compliance. However, we consider that the proposed requirements are consistent with existing CUSC obligations¹⁶ in respect of Operational Notifications and would therefore not have a material impact on Network Operators or Non Embedded Customers.

We also note that these proposed changes to the Grid Code would add clarity and transparency to existing practices and that no concerns were raised by the GCRP in response to NGET’s consultations or as part of the Workgroup’s development work.

Proposed Compliance Processes

Our assessment of the proposed compliance processes for generators included consideration of:

- the proposed processes for demonstrating compliance and for resolving compliance issues (the Compliance Process Steps);
- treatment of Generators and DC Converter Station owners that are not otherwise required to have a contract with NGET (LEEMPS); and
- treatment of OTSDUW carried out by a Generator which has chosen to contract with NGET to construct offshore transmission assets (the Offshore Transmission System User Assets (OTSUA) Compliance Process).

¹⁶ CUSC Section 3 and CUSC Construction Agreement Section 7.

Compliance Process Steps

NGET has proposed new Grid Code processes that have been designed to apply at different stages in respect of specific types of User that is using or is seeking to use the NETS. We note that specific processes have been proposed that would have to be completed before-

- Initial Energisation of the User's equipment.
- Interim synchronisation with the NETS of generator equipment for compliance testing purposes.
- Full synchronisation with the NETS of generator equipment on an ongoing basis.
- Limited synchronisation of generator equipment following the identification of compliance issue concerns that require investigation.

We note that two of these processes could include referral of unresolved compliance issues as a derogation request. We were concerned that these proposed processes could undermine existing dispute resolution procedures within the Grid Code and CUSC.

NGET provided more detail about the Interim Operational Notification ("ION") and Limited Operational Notification ("LON") process stages and we are now satisfied that the proposal is not intended as a substitute for dispute resolution measures that already exist within the regulatory framework.

We note that a licensee may submit a request to us for derogation from the licence requirement to comply with a particular obligation in a code or standard (including issues being managed through a Grid Code compliance process). We do not consider that the intent of the change proposal is to increase the level of intervention by us through the derogation process in compliance testing but to allow the compliance process as set out in the Guidance Notes to be included in the Grid Code. We note that it is for NGET (and other licensees) to assess if there is a non-compliance with the Grid Code and then to decide whether or not a derogation is required. It is our role to then consider whether it is appropriate to grant a derogation.

LEEMPS

We note from the responses to NGET's consultations that there is not a common view amongst industry participants about the appropriate approach in respect of compliance requirements for embedded Medium Power Stations and DC Converter Stations that do not have a CUSC contract with NGET. We acknowledge that both DCRP and GCRP have agreed that a specific joint working group should consider the treatment of these classes of plant and the issues that were raised in response to the A/10 consultations.

In our view, given the unresolved issues (in respect of the appropriate treatment of embedded Medium Power Stations and DC Converter Stations that do not have a CUSC contract with NGET), NGET's decision to remove this element from the change proposal at this stage is justified. The change proposal includes some changes to existing Grid Code requirements which we consider does improve the clarity of the Grid Code and are not a material change to existing obligations.

OTSUA Compliance Process

We note that a new System Operator-Transmission Owner Code ("STC") Procedure¹⁷ has been issued which defines process obligations for NGET and Offshore Transmission Owners ("OFTOs") in respect of offshore transmission system compliance testing. We consider that the compliance testing requirements in STCP 19-5 are consistent with the changes to the Grid Code that NGET has proposed in respect of compliance testing. We consider that the proposal to include explicit reference in the Grid Code compliance testing provisions to OTSDUW and OTSUA:

- is consistent with the obligations that apply if the generator has not chosen to build offshore transmission assets for transfer to an OFTO at a later stage;
- is supported by respondents to NGET's consultation; and
- provides clarity and consistency.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that change proposal Grid Code A/10 '*Generator Compliance*' be made.

We agree with NGET that the proposal should be implemented 15 Business Days after the date of our decision. We also agree that implementation is helped by the publication of a new Issue 5 of the Grid Code which would also include changes made by a previous Grid Code change G/11 (Grid Code Housekeeping Modifications) which we approved in January 2012.

Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose

¹⁷ STCP 19-5 Offshore Transmission System Compliance Process & Testing, Issue date 7 October 2011 - <http://www.nationalgrid.com/NR/rdonlyres/1ED7A309-8171-42DA-ADF6-78071A384211/50275/STCP195OFTOComplianceIssue001071011.pdf>.