

Lisa Charlesworth
Industry Codes & Licensing
Ofgem
9 Millbank
London
SW1P 3GE

Paul Whittaker
Director, UK Regulation

Paul.Whittaker2@nationalgrid.com
Direct tel +44 (0)1926 653190

www.nationalgrid.com

26 April 2013

Dear Lisa

Notice under section 11A (2) of the Electricity Act 1989 (the “Act”) & Notice under Section 23 (2) of the Gas Act 1986 (re: modification of Standard Licence Conditions of electricity transmission licences and Standard Special Condition of the gas transporter and distribution licences to implement the Code Governance Review 2 Final Proposals)

I confirm that National Grid Electricity Transmission plc (NGET) and National Grid Gas plc (NGG) have no objections to the proposed modifications set out in the Schedules to the Notices, provided that the following concerns with the proposed text are addressed.

1. In Condition C10: Connection and Use of System Code (CUSC):

- In our response to Code Governance Review (Phase 2) Proposals – (ref: 123/12), we requested confirmation as to whether fast track self-governance modification proposals will require evaluation against the applicable CUSC objectives. Further clarification on this point was sought from Ofgem following publication of Code Governance Review (Phase 2) final proposals 45/13. Ofgem have confirmed that we should establish procedures for fast track self-governance for modifying the CUSC so as to better facilitate the applicable CUSC objectives. However, there is not a Licence requirement for the CUSC Panel to make an assessment against the applicable CUSC objectives when a fast track self-governance modification is submitted for the CUSC Panel's consideration.

We feel therefore that Paragraph 6 should be further clarified as follows:

- no change from current in force licence text for C10, 6 (b) (v) but instead use the wording proposed by Ofgem (and shown in red and underlined below) to insert at para 6 (b)
- at para 6 (b) suggest this is reworked so that:
6(b) where a proposal is made in accordance with paragraphs 6(a), 6(aa) and, unless otherwise directed by the Authority 6(ab) and except in the case of a modification falling within the scope of paragraph 13D,

2. In Condition C3: Balancing and Settlement Code

- Fast track self-governance should be further clarified in line with the CUSC principles above:
 - no change from current in force licence text for 4 (b) (v) but instead use the wording proposed by Ofgem (and shown in red and underlined below) to insert at para 4 (b)

- at para 4 (b) suggest this is reworked so that:
4(b) where a proposal is made in accordance with paragraphs 4(a), 4(aa) and, unless otherwise directed by the Authority 4(ab) and except in the case of a modification falling within the scope of paragraph 13D,
- for BSC only, due to the definition of a BSC party insert the following into para 13D (c): BSC parties, licensee and the Authority

3. In Condition B12: System Operator – Transmission Owner Code:

- Fast track self-governance should be further clarified in line with the CUSC principles above:
- no change from current in force licence text for B12, 6 (b) (vi) but instead use the wording proposed by Ofgem (and shown in red and underlined below) to insert at para 6 (b). In addition delete the word "STC" ahead of "panel".
- at para 6 (b) suggest this is reworked so that:
6(b) where (except for modifications made pursuant to paragraph 6D), a modification proposal is made:

4. In Condition C14: Grid Code

NGET has concerns in two key areas:

- The use of the term 'modification(s)' in a number of instances within Condition 14;

A key output of Code Governance Review phase one was to simplify the change processes for each of the codes and make them more consistent, transparent and accessible to parties¹. Part of simplifying the change processes and improving consistency was to align the use of terminology across the BSC, CUSC and UNC. This alignment of terminology has resulted in 'modification' becoming the commonly accepted term to describe a change to the codes and can be seen in a common modification process as part of the Code Administrator Code of Practice².

It has been proposed to continue with the alignment of terminology into Condition 14 (Grid Code) by replacing 'revision(s)' with 'modification(s)'. NGET are comfortable with the majority of these changes except in the instances listed in Appendix 1.

- The proposed implementation date of 31 December 2013.

NGET is supportive of the aims of Code Governance Review phase two but are concerned over the proposed implementation date of 31 December 2013 in paragraph 12A. In respect of the Grid Code, the proposed changes to our licence will require a full review of the *Grid Code Glossary & Definitions*³, *Grid Code General Conditions*⁴ and the *Constitution and Rules of the Grid Code Review Panel*⁵. This review will require NGET to go through the Grid Code change process which is described below.

When proposing a change to the Grid Code, NGET will raise an 'issue proforma' and submit this to the Grid Code Review Panel (GCRP) for their consideration. At this point, the GCRP will discuss whether a Workgroup is required or whether NGET can progress to industry consultation.

¹ Code Governance Review - Final Proposals March 2010 -

http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/CGR_Finalproposals_310310.pdf

² <http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/FinalCoP.pdf>

³ http://www.nationalgrid.com/NR/rdonlyres/5DFDEFEB-DDBC-4381-8DE5-4B2087AC6AC8/59910/04_GLOSSARY_DEFINITIONS_I5R3.pdf

⁴ http://www.nationalgrid.com/NR/rdonlyres/7C2D6652-C29E-46B2-B16A-D9A704F96A0C/55748/24_GENERAL_CONDITIONS_I5R0.pdf

⁵ <http://www.nationalgrid.com/NR/rdonlyres/160A9DF6-64B7-495F-9CDF-7B1BD27AFDF6/54376/ CR250612.pdf>

If a Workgroup is proposed, NGET will have to draft Terms of Reference and submit these to the GCRP for consideration before the Workgroup can be established. Once the Workgroup concludes and submits a Workgroup Report to the GCRP, NGET will begin to draft an industry consultation if the GCRP believe the Terms of Reference for the Workgroup have been achieved.

The industry consultation will be published for 20 working days unless the GCRP propose that an alternative length of time is more suitable.

Following the closure of this industry consultation, NGET will review any responses received and determine if any revisions are required to the proposed changes. Once NGET is satisfied that the comments from the industry have been addressed, a Report to the Authority will be drafted and submitted to Ofgem for a determination.

NGET is aware that the Ofgem statutory consultation on Code Governance Review proposals closes on 26 April 2013 and therefore the next GCRP that could consider an 'issue proforma' is on 17 July 2013. Appendix 2 proposes a timetable based on our experience of the Grid Code against the two scenarios of the issue progressing to a Workgroup or to an industry consultation.

Based on the timescales set out in Appendix 2, NGET believes that the 31 December 2013 implementation date is unachievable if it were decided by the GCRP that the issue should be considered by a Workgroup. The implementation date, if left as proposed, could potentially remove the choice from the GCRP to progress to a Workgroup.

NGET propose that the implementation date proposed in paragraph 12A is changed to 31 March 2014 to allow the Grid Code governance process to run its course. NGET is aware that the proposed wording does not preclude earlier implementation of the proposals and we would endeavour to progress the review of the Grid Code to implement the Code Governance Review proposals as quickly as possible.

5. Standard Special Condition A11: Network code and Uniform Network Code

- NGG supports the proposed licence changes relating to the introduction of a fast track self-governance route for UNC Modifications. We believe that it will provide an efficient extra mechanism for dealing with unanimously agreed minor housekeeping changes, thereby reducing, to a degree, the regulatory burden in such matters.

For clarification we suggest the following:

- SSC A11 Paragraph 9 b (i) be updated to read as follows:

"the making of proposals for the modification of the uniform network code in accordance with paragraph 10(a), 10(aa), 10(ab) ~~and~~, 15D and 15G of this condition; and/or"

If you wish to discuss this further, or have any queries regarding this response, please contact Louise McGoldrick on 01926 655422.

Yours sincerely

[By e-mail]

Paul Whittaker
Director, UK Regulation

Appendix 1: Use of the term ‘modification(s)’ in a number of instances within Condition 14;

Reference	Proposed Text	NGET View
1A (b) (iv) Point 1	<u>proposing a modification</u>	<p>NGET is concerned that this statement causes confusion in relation to the ability to raise modifications to the Grid Code. Due to the governance framework that facilitates changes to the Grid Code (i.e. only NGET, as the licensee, is able to raise a modification) it is not possible for Authorised Electricity Operators (AEO's) and consumer representatives to propose modifications to the Grid Code.</p> <p>NGET proposes that this text is removed as we believe that 1A (b) (iv) Point 3 facilitates the involvement of AEOs and consumer representatives in the modification process and avoids the potential for confusion.</p>
1A (b) (iv) Point 4	<u>accessing information relating to modification proposals and/or modifications.</u>	<p>NGET is concerned that the term ‘modification proposals’ causes confusion as such a document does not exist</p> <p>Under the Grid Code governance arrangements, AEOs that believe there is a problem with the Grid Code submit an ‘issue proforma’ explaining the defect and proposed next steps. The Grid Code Review Panel (GCRP) discuss the issue and determine the best course of action to deal with the defect. NGET use this process to support the achievement of our obligation under 2A of our Transmission Licence.</p> <p>NGET proposes that this statement is reworded to read “<i>accessing information relating to modifications</i>” to avoid the potential for confusion and more accurately reflect the governance process.</p>
2C (c)	any written representations or objections from authorised electricity operators liable to be materially affected thereby (including any proposals by such operators for revisions <u>modifications</u> to the Grid Code not accepted by the licensee in the course of the review) arising during the consultation process and subsequently maintained.	<p>NGET is concerned that using ‘modifications’ here instead of ‘revisions’ could suggest that AEOs are able to raise alternative modification proposals as part of the consultation process.</p> <p>When NGET consults with AEOs as part of the Grid Code review process, we will consider proposed revisions to the Grid Code text that have been submitted by AEOs. There is however no ability for AEOs to raise an alternative modification proposal.</p> <p>As other codes that NGET administer allow the raising of alternative modification proposals, NGET propose that the original text is reinstated to avoid any potential for confusion for parties that interact with multiple codes.</p>

Appendix 2: Proposed Timelines for Grid Code

	GCRP proposes a Workgroup is Required	GCRP proposes no Workgroup is Required
Panel Paper Submission	03 July 2013	03 July 2013
Panel Meeting	17 July 2013	17 July 2013
NGET draft and circulate Workgroup Terms of Reference (with the requirement to draft legal text)	24 July 2013	N/A
Panel approve Terms of Reference via email	31 July 2013	N/A
Workgroup Meeting 1 ⁶	28 August 2013	N/A
Workgroup Meeting 2	11 September 2013	N/A
Workgroup Meeting 3	25 September 2013	N/A
Workgroup Meeting 4	09 October 2013	N/A
Final Workgroup meeting and Workgroup Report agreed by members ⁷	23 October 2013	N/A
Workgroup Report submitted to Panel meeting	06 November 2013	N/A
Panel Meeting ⁸	20 November 2013	N/A
NGET drafts industry consultation and publishes	27 November 2013	28 August 2013 ⁹
Consultation period closes ¹⁰	27 December 2013	25 September 2013
NGET reviews and addresses respondents comments	13 January 2014 ¹¹	09 October 2013
NGET draft Report to the Authority and publish	20 January 2014	16 October 2013
Authority decision (assuming 25 working days)	24 February 2014	20 November 2013

⁶ Allow 4 weeks to find a suitable date for Workgroup members, meetings held every 2 weeks.

⁷ Workgroup only lasts 2 months, Workgroups tend to last 6 months.

⁸ Assumes no significant comments from GCRP and it progresses to industry consultation

⁹ 30 working days to review the appropriate areas of the Grid Code, draft an industry consultation and develop the required legal text

¹⁰ 20 working day consultation taking into account 2 bank holidays - Christmas Day and Boxing Day

¹¹ Takes into account New Year bank holiday