

Modification proposal:	<b>Grid Code GC0071: Code Governance Review (Phase 2) – Significant Code Review</b>		
Decision:	The Authority <sup>1</sup> directs that the proposed modification to the Grid Code <sup>2</sup> be made		
Target audience:	National Grid Electricity Transmission PLC (NGET), Grid Code users and other interested parties		
Date of publication:	18 October 2013	Implementation Date:	5 November 2013

## Background to the modification proposal

Ofgem’s Code Governance Review<sup>3</sup> (CGR) sought to update and improve the industry code governance arrangements to ensure that they could effectively meet the challenges facing the industry, and to reduce complexity to ensure transparency and accessibility for all industry participants.

The CGR concluded in March 2010 with final proposals focusing primarily on the Balancing and Settlement Code (BSC), the Connection and Use of System Code (CUSC) and the Uniform Network Code (UNC). In April 2012, we initiated a second phase CGR (CGR Phase 2) with the aim of extending governance arrangements introduced through the CGR to other industry codes, including the Grid Code.

Following a consultation on initial proposals in September 2012,<sup>4</sup> we published final proposals for CGR Phase 2 in March 2013.<sup>5</sup> Licence modifications giving effect to these final proposals came into force on 5 August 2013.

The CGR Phase 2 final proposals included a requirement for the introduction of the Significant Code Review (SCR) process into the Grid Code governance arrangements. The SCR process provides a role for Ofgem to lead complex changes to the industry codes in an holistic manner.<sup>6</sup>

## The modification proposal

In May 2013, National Grid Electricity Transmission (NGET) submitted a paper to the Grid Code Review Panel (GCRP) seeking views on introducing the SCR process into Grid Code governance procedures. The GCRP agreed that NGET undertake an industry consultation which took place over July and August 2013.

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

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

<sup>3</sup> CGR Phase 1 final proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-final-proposals-4310>

<sup>4</sup> CGR Phase 2 initial proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-2-consultation>

<sup>5</sup> CGR Phase 2 final proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-2-final-proposals>

<sup>6</sup> Ofgem guidance on SCRs: <https://www.ofgem.gov.uk/ofgem-publications/61740/guidanceinitiating-and-conducting-scrcfinal-draft110810.pdf>

GC0071 was subsequently raised by NGET and seeks to make changes to the Grid Code to incorporate the SCR process in line with the CGR Phase 2 licence changes. The proposed modifications to the Grid Code recognise, amongst other things:

- Ofgem's role in initiating, leading and managing the SCR process to develop proposals for complex and potentially cross-code changes,
- that Ofgem's SCR conclusions may result in directions to NGET, as the relevant licensee, to raise Grid Code modifications, and
- the process to be followed where Grid Code modifications are raised during an active SCR process.

### **NGET's recommendation**

In NGET's view, GC0071 better facilitates achievement of the Grid Code objectives (i) and (iv). NGET considers that it would enable more timely and efficient progression and implementation of code modifications and allow NGET to meet its licence obligations. NGET therefore recommends approval of GC0071.

### **Our decision**

We have considered the issues raised by the modification proposal and included in the final Report dated 13 September 2013. We have considered and taken into account the responses to NGET's consultation on the modification which are included in the final Report.<sup>7</sup> We have concluded that:

1. implementation of the modification will better facilitate the achievement of the objectives of the Grid Code;<sup>8</sup> and
2. approving the modification is consistent with our principal objective and statutory duties.<sup>9</sup>

### **Reasons for the Authority's decision**

We have considered the views of NGET and the two respondents to the GC0071 industry consultation, both of which supported the modification. We set out below our views on which of the applicable Grid Code objectives are better facilitated by the modification. We consider that the modification has no impact on the other Grid Code objectives.

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

NGET considers that the proposed modification will permit the operation of an efficient transmission system by introducing additional governance into the modification process, enabling code changes to occur in a timely and efficient manner. Whilst we do not

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<sup>7</sup> Grid Code modifications, final reports and representations can be viewed on NGET's website at:

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

<sup>8</sup> As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, available at the following link: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

<sup>9</sup> 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.

consider that this modification in itself directly impacts the operation of the transmission system, the addition of this new governance mechanism will facilitate more effective introduction of complex (and, potentially, cross-code) change, which permits the development and operation of an efficient transmission system.

*Grid Code objective (iv) 'to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency'*

The recent licence modifications made to introduce the SCR process to the Grid Code governance arrangements are now in force. NGET therefore must ensure that these licence provisions can be efficiently discharged. The changes proposed to the Grid Code by GC0071 will ensure that NGET can discharge its obligations relating to the SCR process through the Grid Code governance procedures. We therefore consider that this modification better facilitates Grid Code objective (iv).

### **Decision notice**

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority, hereby directs that change proposal Grid Code GC0071 '*Code Governance Review (Phase 2) – Significant Code Review*' be made.

The Report recommends an implementation date for GC0071 of 10 business days after our decision. However, to ensure the efficient implementation of a number of Grid Code modifications we are approving,<sup>10</sup> and following discussion with NGET, we direct that GC0071 is implemented on 5 November 2013.

**Lesley Nugent**  
**Head of Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose

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<sup>10</sup> We are making decisions to approve GC0033, GC0072 and GC0073 at the same time.