



Mr Ben Graff
GCRP Chairman
The National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

*Bringing choice and value
to customers*

Your Ref:
Our Ref: blm / I 046
Direct Dial: 020 7901 7366
Email: john.scott@ofgem.gov.uk

29 September 2004

Dear Ben

STANDARD CONDITION C14 : TRANSMISSION LICENCE, LICENSEE'S GRID CODE

Decision in relation to consultation A/04 ("Changes to the 'Data Validation, Consistency and Defaulting Rules' and Associated Definition in the Grid Code")

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the changes that NGC² has proposed to its Grid Code as set out in the report to the Authority³ arising from consultation A/04 ("Changes to the 'Data Validation, Consistency and Defaulting Rules' and associated definition in the Grid Code") that has been submitted to it for approval.

The Authority has decided to approve the proposed changes to the Licensee's Grid Code (the "Grid Code") set out in the report to the Authority arising out of consultation A/04.

This document explains the background to the proposals and sets out the Authority's reasons for its decisions to approve these changes to the Grid Code. This letter constitutes notice by the Authority under Section 49A of the Electricity Act 1989 in relation to the directions contained or referred to in this letter.

¹ The terms "Ofgem" and "the Authority" are used interchangeably in this letter. Ofgem is the office of the Authority.

² National Grid Company plc

³ Report from NGC – Consultation Reference A/04, Issue 1, Date of Issue 19 April 2004, http://www.nationalgrid.com/uk/indinfo/grid_code/pdfs/Authrep_A04v1.pdf.

Background to the proposed changes to NGC's Grid Code

Since the introduction of NETA, NGC has checked the level of PNs (Physical Notifications) submitted by generators against the level of Generation Capacity⁴ before entering the data into the computer systems it uses to manage the Balancing Mechanism. NGC agreed to review the basis of this check (defined in the 'Data Validation, Consistency and Defaulting Rules') in light of the amendment to the CUSC following the approval of CAP043 by the Authority.

In consultation A/04 ("Changes to the 'Data Validation, Consistency and Defaulting Rules' and associated definition in the Grid Code"), NGC proposed revisions to the 'Data Validation, Consistency and Defaulting Rules' such that the PN validation check would be made against Connection Entry Capacity (CEC) for transmission connected generation and a pseudo-CEC (i.e. a figure that could be considered to be equivalent to CEC agreed on a bilateral basis between the generator and NGC) for embedded generation.

In the consultation NGC described the options that had been considered for use in the validation check which were Registered Capacity, Rated MW, Generation Capacity, Transmission Entry Capacity and Connection Entry Capacity. NGC explained that it considered that CEC was the most appropriate term as it is defined on a generating unit basis and could be used as the basis of a validity check for other parameters such as Maximum Export Limit that are submitted by generators which may be considered in the future. NGC also noted that embedded generators do not have a CEC but proposed to agree a pseudo-CEC with those embedded generators who submit PNs that would be used by NGC when making the validation checks.

Consultation A/04 also identified a number of housekeeping changes that NGC considered were necessary for the 'Data Validation, Consistency and Defaulting Rules' which were to:-

- Make the table in Section 5.2 consistent with the text within Section 5.2 (in relation to the length of a short day at clock change being 23 hours).
- Update the reference document list in relation to the reference to the BSC.
- Correct the reference in Section 3.2 to the document that sets out the timing convention.

In the report to the Authority arising from consultation A/04, NGC proposed a change to the definition of Data Validation, Consistency and Defaulting Rules in the Glossary and Definitions of the Grid Code to refer to the revised version of the NGC document ('Data Validation, Consistency and Defaulting Rules, Issue 7') that was included in consultation A/04.

NGC reported that:-

- It received 5 responses to consultation A/04.
- 4 respondents who were authorised electricity operators agreed with the proposed Grid Code changes.
- The other respondent Elexon supported the proposed Grid Code changes.

⁴ Generation Capacity is a term defined in the Balancing and Settlement Code (BSC).

GB Consultation Responses

Ofgem notes that it has consulted on the GB wide impact of these changes as part of the consultation on the Grid Code under BETTA⁵ and in an open letter to the chair of the GCRP and SGCRP. Two of the respondents to this consultation commented on the applicability of the changes set out in the report to the Authority arising from consultation A/04 (“Changes to the ‘Data Validation, Consistency and Defaulting Rules’ and associated definition in the Grid Code” on a GB wide basis and both noted their support for the proposed change to be incorporated in the GB Grid Code.

Ofgem has consulted on whether the proposed changes are applicable for the GB Grid Code⁶. Ofgem received one response to this consultation. The respondent noted support for the proposed changes associated with A/04 being incorporated in the GB Grid Code

NGC’s recommendation

NGC recommends that the Authority approves the changes to its Grid Code set out in the report to the Authority arising from consultation A/04 (“Changes to the ‘Data Validation, Consistency and Defaulting Rules’ and associated definition in the Grid Code”).

Ofgem’s view

Ofgem agrees, having had regard to the licensee’s objectives set out in condition C14(1)(b)⁷ of the Transmission Licence (“the objectives”) and Ofgem’s statutory duties, that the proposed changes to NGC’s Grid Code should be made. Ofgem’s reasons for reaching this decision are outlined below.

Ofgem notes that NGC has not reported that it received any objections to the proposed changes.

⁵ ‘The Grid Code under BETTA - Ofgem/DTI conclusions and second consultation on the text of a GB Grid Code and conclusions on change management between the STC and each of the GB CUSC, GB BSC and GB Grid Code’ published 7 May 2004
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/7028_9904a.pdf.

⁶ ‘GB Consultation for NGC’s Grid Code Change Proposals E/04 (“Further proposed changes to Grid Code OC2”), F/03 (“Proposed Changes to Operating Code OC2 - Outage Planning”), A/04 (“Proposed Change to the ‘Data Validation, Consistency and Defaulting Rules’ under the Grid Code”), E/03 (“Proposed changes to Connection Conditions CC.6.3.3 in respect of frequencies below 49.5Hz”) and D/04 (“Grid Code Compliance Issues with Refurbishment Plant”), published 3 September 2004
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/8575_21604_E04_F03_D04.pdf.

⁷ The licensee’s transmission licence defines the Grid Code objectives as follows:

- (i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity;
- (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the GB transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity); and
- (iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in Great Britain taken as a whole.

Ofgem considers that the data validation checks that NGC carries out on PNs on receipt reduce the risk of erroneous data being submitted into the computer systems used by NGC in managing the Balancing Mechanism. Ofgem considers that this type of validation check contributes to the efficiency of NGC's operation of the transmission system and is in the interest of the generators who are obliged to operate to the value of PNs that are accepted in the Balancing Mechanism. Ofgem also considers that such a check promotes the security of the electricity system as a whole by reducing the risk of unachievable data submissions being accepted.

Ofgem notes that the recent amendment to the CUSC (arising from CAP043) resulted in TNUoS⁸ charges now being based on CEC and not Generation Capacity and prompted NGC's agreement to review the basis of its PN validation checks. Ofgem considers that it is appropriate for NGC to make the validation check against the contracted capacity of the connection as an export level in excess of this would not be achievable by the generator. Ofgem considers that it is effective for NGC to use the information in the PN validation check that is also used for charging purposes and agrees that the appropriate parameter is now CEC.

Ofgem acknowledges that embedded power stations may also be required to submit PNs and notes that this class of generator would not have a CEC. Ofgem considers that NGC's proposed approach for agreeing a pseudo-CEC with such generators is acceptable and notes that default arrangements to be used as the basis of a pseudo-CEC have also been proposed by NGC and were set out in consultation A/04.

It is Ofgem's view that the housekeeping amendments to the 'Data Validation, Consistency and Defaulting Rules' are intended to improve the consistency within the document and considers that such clarity will improve the efficiency of the arrangements.

Ofgem asked NGC to review the proposed drafting for the changes set out in the report to the Authority arising from consultation A/04 ("Changes to the 'Data Validation, Consistency and Defaulting Rules' and associated definition in the Grid Code") in light of the changes to the Grid Code for BETTA ("Issue 3 of the Grid Code") that were implemented on 1 September 2004. NGC has advised that the drafting of the change to the Grid Code proposed in A/04 did not require revision.

The Authority's decision

The Authority has therefore decided to approve the Grid Code changes set out in report to the Authority arising from consultation A/04 ("Changes to the 'Data Validation, Consistency and Defaulting Rules' and associated definition in the Grid Code").

The Authority agrees that the implementation date for these changes should be 11 October 2004.

⁸ Transmission Network Use of System charges

Please do not hesitate to contact me on the above number if you have any queries in relation to the issues raised in this letter or alternatively contact Bridget Morgan on 020 7901 7080.

Yours sincerely

A handwritten signature in black ink that reads "John Scott". The signature is written in a cursive style and is underlined with a single horizontal line.

John Scott
Technical Director

Signed on behalf of the Authority and authorised for that purpose by the Authority

cc: David Payne, GCRP Secretary