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24 June 2005

Dear Ben

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

Decisions in relation to consultation C/04v2 "Proposed Changes to Grid Code OC8 Associated with Management of Safety Keys and Other Housekeeping Changes"

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 Authority arising from consultation C/04v2³ ("Proposed Changes to Grid Code OC8 Associated with Management of Safety Keys and Other Housekeeping Changes") 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") as set out in the Appendix A of the report to the Authority arising out of consultation C/04v2.

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

² National Grid Company plc

³ Report from NGC – Consultation Reference C/04 version 2, Issue 1, Date of Issue 22 February 2005

http://www.nationalgrid.com/uk/indinfo/grid_code/pdfs/C_04_Report_to_the_Authority.pdf.

Background to the proposed changes to NGC's Grid Code

NGC has reviewed the Grid Code and identified changes to Operating Code No 8⁴ ("OC8") that it considers are required to implement a process for the management of safety keys which reflects the best practice that NGC has developed following discussions with users. NGC has also identified some housekeeping changes which include clarification to clauses that the Health and Safety Executive ("HSE") has previously provided comments on.

Proposed Changes Associated with the Management of Safety Keys

NGC has proposed changes to OC8 to require key safe keys (where reasonably practicable) to be given to the Site Representative of the Requesting Safety Co-ordinator where the Implementing and Requesting Safety Co-ordinators are at the same Complex or Connection Site. NGC states that the receipt of keys by the Requesting Safety Co-ordinator will provide additional confidence that the OC8 requirements have been complied with and that this compliance would be maintained until the keys are returned. NGC also notes that some issues that have arisen in the past could possibly have been avoided in the proposed Grid Code changes had been in place.

NGC considers that it is unlikely to be reasonably practicable to exchange key safe keys where:-

- The Isolation and Earthing was implemented remotely from the Complex or Connection Site; and
- There was a significant physical distance between the Site Representatives of the Requesting and Implementing Safety Co-ordinators.

NGC notes that HSE takes the view that it would be reasonably practicable for Key Safe Keys to be exchanged when Site Representatives of the Requesting and Implementing Safety Co-ordinators are at the same Complex or Connection Site. NGC does not consider that generators will have an issue with the proposed Grid Code requirements.

Proposed Housekeeping Changes

In response to NGC's report to the Authority arising from consultation E/02, HSE sought clarification about parts of the existing OC8 processes. In particular the HSE asked for clarification of the processes that are:

- Carried out when the Implementing Safety Co-ordinator applies requested earthing.
- Followed when Requesting Safety Co-ordinators issue 2 RISSP⁵ numbers when work is carried out on both sides of a boundary.

NGC considers that the proposed Grid Code changes set out in its consultation provide this clarification and also address some other minor typographical errors in OC8 that NGC had identified.

⁴ OC8 is the section of the Grid Code that sets out Safety Co-ordination procedures.

⁵ Record of Inter-System Safety Precautions

NGC reported that it received 7 responses to consultation A/05 from authorised electricity operators and that:-

- 4 respondents supported the proposed changes to the Grid Code.
- 1 respondent broadly supported the proposed changes but highlighted some typographical errors and minor inconsistencies in the drafting.
- 1 respondent generally supported the proposed changes but expressed concern that the draft text in the consultation paper lacked clarity. 1 other respondent supported this view.
- 1 respondent stated that the use of the term “as soon as reasonably practicable” in the proposed changes to OC8A.5.5.5 and OC8B.5.5.5 was inappropriate in the context of the return of a Key Safe Key.

NGC noted in its report to the Authority that it had amended the drafting of the proposed Grid Code changes to take account of the comments received.

NGC’s recommendation

NGC recommends that the Authority approve the changes to the Grid Code set out in the report to the Authority arising from consultation C/04v2 (“Proposed Changes to Grid Code OC8 Associated with Management of Safety Keys and Other Housekeeping Changes”).

Ofgem’s view

The proposed changes by NGC are set out in its report to the Authority as required by standard condition C14(2) of NGC’s electricity transmission licence. Approval of these changes by the Authority is required by standard condition C14(3). Ofgem considers that, having had regard to the licensee’s obligations set out in condition C14(1)(b)⁶ of the Transmission Licence (“the obligations”) and Ofgem’s wider statutory duties, that the proposed changes to the Grid Code should be approved by the Authority. Ofgem’s reasons for reaching this decision are outlined below.

Ofgem notes that all respondents to NGC’s consultation were supportive of the proposed Grid Code changes.

Ofgem consulted with HSE and notes that HSE considered that the proposed changes are beneficial to the interpretation and application of the Grid Code as they help to clarify the responsibilities and duties of operators.

⁶ 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 acknowledges the importance of clearly defined safety procedures when operating electrical equipment. Ofgem notes that these proposed changes to the Grid Code enhance the existing safety co-ordination procedures that are in place to manage the risks of working on electrical equipment at interfaces to the transmission system. Ofgem considers that the implementation of these Grid Code changes will strengthen the existing safety framework and assist NGC in its development, maintenance and operation of the transmission system. Ofgem further considers that this enhancement of the safety co-ordination procedures will help reduce safety risks when work is being undertaken at substation sites and as such will promote the security of the electricity generation, transmission and distribution systems as a whole.

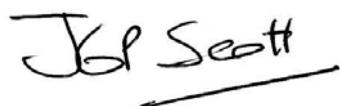
The Authority's decision

Based on the reasons set out above the Authority has therefore decided to approve the Grid Code changes set out in Appendix A of the report submitted to the Authority arising from consultation C/04v2 ("Proposed Changes to Grid Code OC8 Associated with Management of Safety Keys and Other Housekeeping Changes").

The implementation date for these Grid Code changes is 15 July 2005.

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