THE NATIONAL GRID COMPANY plc

THE GRID CODE

A REPORT TO THE AUTHORITY PURSUANT TO PARAGRAPH 2 OF CONDITION 8A OF THE TRANSMISSION LICENCE

Review of Grid Code Review Panel Membership

28 August 2001

1. Paragraph 2 of Condition 8A of the Transmission Licence granted to the National Grid Company plc ("National Grid") provides that National Grid shall, in consultation with authorised electricity operators liable to be materially affected thereby, periodically review the Grid Code and its implementation. That paragraph also requires National Grid, following such review, to send to the Authority:-

   (a) a report on the outcome of such review;

   (b) any proposed revisions to the Grid Code as National Grid (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives set out in sub-paragraph 1 (b) of Condition 8A of the Transmission Licence; and

   (c) any written representations or objections from authorised electricity operators (including any proposals by such operators for revisions to the Grid Code not accepted by National Grid in the course of the review) arising during the consultation process and subsequently maintained.

2. National Grid has just completed a review of the Grid Code. This review relates to the categories of membership of the Grid Code Review Panel (GCRP). For reference the current GCRP structure is attached as Appendix A. Appendix B gives the proposed structure.

3. The proposed changes to the Grid Code were discussed at the Grid Code Review Panel in May 2001 and it was agreed that National Grid should issue a Consultation Paper.

4. National Grid, in accordance with its obligations under its Transmission Licence, consulted those authorised electricity operators listed in Appendix C by circulating to them Consultation Paper C/01, which was dated 29th May 2001 and which contained the proposed amendments to the Grid Code. A copy of Consultation Paper C/01 is attached to this Report as Appendix D. National Grid also placed a copy of the Consultation Paper on its website to ensure its wide availability**.**

5. The proposed revisions to the Grid Code are, as indicated above, set out in Appendix B to this Report. By way of summary, the proposed changes are described below :-

Background

5.1 The basic structure of categories of membership represented at the Grid Code Review Panel has remained broadly unchanged since the initial arrangements were put in place in 1990. At that time the GCRP was structured to ensure that the existing industry sectors were fully represented. Since then a number of factors have arisen which now make it appropriate for a review of the categories of membership to be considered, including the recent changes associated with NETA.

The Proposed Changes

5.2 For Reference Appendix A gives the current membership of the Grid Code Review Panel, as described in the General Conditions of the Grid Code.

5.3 Changes affecting the licences of Public Electricity Suppliers are planned for the near future, creating new licences for Distribution Network Operators and Suppliers. Hence it is proposed that the three persons representing Public Electricity Suppliers be replaced by **three persons** representing **Network Operators** plus **one person** representing **Suppliers**. This would provide representation for all Suppliers for the first time, reflecting the greater impact of the Grid Code on Suppliers since the introduction of NETA but at the same time recognising that the Grid Code contains relatively few requirements on Suppliers.

5.4 There is currently no representation for **Non-Embedded Customers**, but as the Grid Code places some obligations on this group, it is proposed that **one** place should be created for a representative of this group of Users.

5.5 Generators with Large Power Stations are currently represented via one of two classes of members, depending upon whether a company has a total in excess of 5 GW of generating plant or not. It has been suggested that this distinction is somewhat artificial, particularly in the light of the significant growth in the number of companies with Large Power Stations with a total Registered Capacity of less than 5 GW. There are currently around thirty companies in this group, (although many of them are "single power station" companies) compared with four companies in the ">5GW" group. National Grid had suggested that the distinction between these two groups of generators should be removed, creating a class of **four persons** representing **Generators with Large Power Stations**.

Responses to the Consultation

5.6 Comments were invited from all electricity operators and responses were requested by 29th June 2001. As a result National Grid received responses from eight consultees, six of these responses indicating concerns with the proposed changes.

5.7 One response was received from a Supplier who felt that the proposal for one Supplier representative should be increased to three to mirror the number of Network Operators representatives.

5.8 One response was received from a Nuclear generator who agreed in principle with the proposals for four representatives for generators with Large Power Stations. However, in view of the special requirements of nuclear plant, this respondent was keen to ensure that the representation should include at least one person from the Nuclear generators.

5.9 The remaining four responses were received from existing GCRP members representing generators. All four felt that the proposals to change the category of membership for generators was unnecessary and would possibly destabilise the

GCRP, especially as in their view many of the smaller generators would not have sufficient resources or the required commitment to the GCRP.

National Grid Proposals

5.10 Having considered each of the above responses, National Grid generally remains of the opinion that the original proposals of Consultation Paper C/01 better reflect the current industry structure. However it is recognised that the smaller generating companies may not have the resources to make a solid commitment to the GCRP, as suggested by some of the respondents, and so it is proposed that the current categorisation of generators remains.

5.11 National Grid has responded to the comment referring to Nuclear generator representation explaining that to avoid even further categorisation of membership, it is not proposed that a specific seat is reserved for the group of Nuclear Generators. Rather it is expected that the nomination process will ensure fair allocation of seats for all generator classes. Although further dialogue was invited no additional response has been received.

5.12 National Grid has responded to the comment referring to Supplier representation explaining that National Grid still proposes that Suppliers are represented by one seat on the GCRP, as the obligations placed on this group in the Grid Code remain relatively few. Although further dialogue was invited no additional response has been received.

5.13 As a result of the comments received National Grid has modified the proposed structure as shown in Appendix B. Where the proposals differ from the proposals of Consultation Paper C/01, these are indicated in Appendix B by a vertical line in the right hand margin.

6. As indicated above, having regard to the outcome of the review described in this Report, National Grid proposes the revisions to the General Conditions of the Grid Code set out in Appendix B, which revisions we reasonably think fit for the achievement of the objectives referred to in sub-paragraph (b) of paragraph 1 of Condition 8A of the Transmission Licence. In view of this, National Grid would be grateful if the Authority would approve the revisions pursuant to paragraph 3 of Condition 8A of the Transmission Licence.

7. Following this approval, National Grid will prepare a modified "Constitution and Rules" of the Grid Code Review Panel, which will also require approval by the Authority.

8. Given the logistic exercise of organising replacement pages to reflect the changes required by your letter of approval, I would be grateful if you would contact me prior to issuing any letter specifying an effective date, in order to seek to ensure that the date is consistent with any other Code changes which may then be approved or be close to being approved.

SIGNED BY

For and on behalf of The National Grid Company plc
28 August 2001

Current Grid Code Membership

[Extract from General Conditions (GC.4.3)]

(a) a Chairman and up to 4 members appointed by **National Grid**;

(b) a person appointed by the **Director**; and

(c) the following members:

(i) 3 persons representing those **Generators** each having **Large Power Stations** with a total **Registered Capacity** in excess of 5 GW;

(ii) a person representing those **Generators** each having **Large Power Stations** with a total **Registered Capacity** of 5 GW or less;

(iii) 3 persons representing the **Public Electricity Suppliers**;

(iv) a person representing the **Generators** with **Small Power Stations** and/or **Medium Power Stations** (other than **Generators** who also have **Large Power Stations**);

(v) a person representing the **BSC Panel**; and

(vi) a person representing the **Externally Interconnected System Operators**;

Grid Code Membership Proposed incorporating Comments Received

[Proposed text for General Conditions (GC.4.3) to replace that in Appendix A]

(a) a Chairman and up to 4 members appointed by **National Grid**;

(b) a person appointed by the **Director**; and

(c) the following members:

(i) 3 persons representing those **Generators** each having **Large Power Stations** with a total **Registered Capacity** in excess of 5GW;

(ii) a person representing those **Generators** each having **Large Power Stations** with a total **Registered Capacity** of 5 GW or less;

(iii) 3 persons representing the **Network Operators**;

(iv) a person representing **Suppliers;**

(v) a person representing **Non Embedded Customers;**

(v) a person representing the **Generators** with **Small Power Stations** and/or **Medium Power Stations** (other than **Generators** who also have **Large Power Stations**);

(vi) a person representing the **BSC Panel**; and

(vi) a person representing the **Externally Interconnected System Operators**;

APPENDIX C

AEO Distribution List for Consultation Paper C/01

Accord Energy Limited
AES (for Barry Ltd + Fifoots Point Ltd + Partington Ltd + Drax Ltd)
AES Indian Queens Power
Alcan Aluminium UK Ltd
Allied Steel & Wire
Aquila Energy Supplies Ltd
Atlantic Energy (UK) plc
Barking Power
BNFL + Magnox Electric Ltd
BOC Limited
BP Chemicals Ltd
British Energy Generation Ltd
British Energy Investment (no 2) Ltd
British Energy Retail Markets Ltd
British Gas Plc
British Gas Trading Ltd
British Steel plc
Celtpower Ltd
Cinergy Global Power (UK) Ltd
Commercial Electricity Supplies Ltd
Conoco Global Power (UK) Limited
Corby Power Ltd
Coryton Energy Co Ltd
Cottam Development Centre
Damhead Creek Ltd
Derwent Co-Generation Limited
East Midlands Electricity
Eastern Electricity (distribution)
Eastern Energy Ltd
Economy Power Ltd
Edison First Power Ltd
Electricite de France
Electricity Direct (UK) Ltd
Energy Power Resources Limited
Enfield Energy Centre Ltd
Enron Direct Ltd + Enron Gas & Petrochemical Trading
Enron Teesside Operations Ltd
Fellside Heat & Power Ltd
First Hydro Company
Great Yarmouth Power Limited
Heartlands Power Ltd
Humber Power Ltd
ICI Chemicals & Polymers Ltd
Impkemix Energy Ltd
Independent Energy UK Ltd
Innogy + NP (Cogen Trading) Ltd
Keadby Development Ltd
Keadby Gen Ltd + HE Cogen Ltd + HE Energy Ltd
Lakeland Power Ltd
London Electricity plc
London Energy Company Ltd
MANWEB plc
Marubeni Europower Ltd
Medway Power Ltd
Midlands Electricity plc
Midlands Power (UK) Ltd
Norsk Hydro (UK) Ltd
Northern Electric Distribution Ltd
Northern Electric Supply Ltd
Norweb (supply)
NORWEB plc (distribution)
Pentex Oil and Gas Ltd
PowerGen UK plc + PowerGen CHP Ltd
Railtrack plc
Regional Power Generators Limited
Renewable Energy Co
Rocksavage Power Company Ltd
Saltend Cogeneration Co Ltd
Scottish and Southern Energy plc
Scottish Power plc
Seabank Power Ltd
SEEBOARD plc (distribution)
SEEBOARD plc (supply)
Shell Power Ltd
Slough Energy Supplies Ltd
South Coast Power Ltd
South Wales Electricity plc
South Western Electricity plc
Southern Electric
Southern Energy UK Generation Ltd
Spalding Energy Company Ltd
Sutton Bridge Power Ltd
Teesside Power Ltd
TXU Europe
TXU Europe Merchant Generation + Peterborough Power Ltd + Anglian Power Generators + Shotton CHP Ltd + Citigen (London) Ltd
UK Electric Power Ltd
UKAEA
Unit Energy Limited
Wainstones Power Ltd
Yorkshire Electricity Group plc (distribution)
Yorkshire Electricity plc (supply

APPENDIX D