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value for all customers*

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12 December 2006

Dear Duncan

**REVIEW OF THE GRID CODE: DECISION AND NOTICE IN RELATION TO
CONSULTATION D/06 (CONSEQUENTIAL CHANGES FROM B/06 AND
HOUSEKEEPING AMENDMENTS)**

We¹ have carefully considered the changes that NGET² has proposed to its Grid Code as set out in the report to the Authority arising from consultation D/06 ("Consequential Changes from B/06 and Housekeeping Amendments")³ that has been submitted to us for approval.

We have 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 D/06.

This document explains the background to the proposals and sets out the reasons for our decision 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 this decision.

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

² National Grid Electricity Transmission plc

³ Report from NGET – Consultation Reference D/06, Issue 1, Date of Issue 29 November 2006
http://www.nationalgrid.com/NR/rdonlyres/CE24FCFB-6951-4590-B27D-6584601A5DA4/13151/ReporttotheAuthorityD06House_Keeping.pdf.

Background to the proposed changes to NGET's Grid Code

NGET reviewed the Grid Code following the decision to implement the changes identified in the B/06 (Regional Differences) consultation and the associated additional changes that we directed as part of that decision.⁴

NGET has proposed changes to the Grid Code to:-

- Update the definition of Control Point to reflect changes to the provisions in BC1.4.2 for Demand Balancing Mechanism Units.
- Amend the definition of Registered Capacity that relate to DC Converter Stations to allow a declaration to one decimal place.
- Correct a factual inaccuracy in the Construction of References section in the Glossary and Definitions to reflect that Registered Capacity can be declared to one decimal place.

NGET has also proposed other changes to the Grid Code to correct typographical and cross referencing errors.

NGET received four responses to Consultation D/06 from authorised electricity operators. NGET reported that all respondents were generally supportive of the proposed changes.

We note that:

- One respondent considered that the proposed changes would clarify the existing Grid Code provisions.
- One respondent noted that the proposed changes would ensure that more consistent and accurate definitions were used throughout the Grid Code.
- One respondent was concerned that the proposed changes to the Glossary and Definitions are overly complex. This respondent identified an alternative approach.

NGET noted in its report to the Authority that it considers that additional clarity is needed in respect of submissions of Registered Capacity, given the use of made of this parameter to determine the relevant class of a power station. NGET has not proposed any additional changes to the Grid Code changes set out in consultation D/06.

NGET's recommendation

In its report⁵ to the Authority on Consultation D/06 NGET set out the drafting for proposed changes to the Grid Code. It recommended that the Authority approved the proposed changes.

Ofgem's view

Our approval of these changes is required by standard condition C14(3). Having carefully considered NGET's report on the proposed changes and having had regard to the licensee's obligations⁶ set out in condition C14(1)(b) of the Transmission Licence ("the

⁴ Decision letter issued 8 August 2006 (<http://www.nationalgrid.com/NR/rdonlyres/42E4E358-D888-418E-81F0-6ABC3F897325/9183/024GridCodeB06DecisionAugust2006issued.pdf>).

⁵ As required by C14.2.a

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;

obligations") and our wider statutory duties⁷, we consider that the proposed changes to the Grid Code should be approved by the Authority. Our reasons for reaching this decision are outlined below.

We consider that it is important for there to be clarity in the Grid Code. We note that all respondents to NGET's consultation were generally supportive of the proposed Grid Code changes which are considered to provide additional clarity. On this basis, we consider that the proposed changes meet the obligations.

We acknowledge the respondent's concern about the complexity of the definition of Registered Capacity. We also note the recent discussion about the requirements for Registered Capacity data submissions and the concerns relating to interpretation issues that may result from a lack of clarity in the definition. We consider that the Grid Code changes that NGET proposed will minimise the risk of interpretation issues arising in the future. We also note that NGET's change proposal is consistent with the drafting approach within the existing Grid Code.

The Authority's decision

Based on the reasons set out above we have decided to approve the Grid Code changes set out in Appendix A of the report submitted to the Authority arising from Consultation D/06 ("Consequential Changes from B/06 and Housekeeping Amendments").

The implementation date for these Grid Code changes is 20 December 2006.

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



John Scott
Technical Director

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

cc: Lilian MacLeod, GCRP Secretary

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- (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.

⁷ Ofgem's statutory duties are wider than the matters that the NGET has to take into consideration and include amongst other things a duty to have regard to social and environmental guidance provided by Ofgem to the government.