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18 October 2004

Dear Ben

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

##### Decisions in relation to consultation D/04 "Grid Code Compliance Issues with Refurbishment Plant"

The Gas and Electricity Markets Authority (the "Authority")<sup>1</sup> has carefully considered the changes that NGC<sup>2</sup> has proposed to its Grid Code as set out in the report to the Authority arising from consultation D/04<sup>3</sup> ("Grid Code Compliance Issues with Refurbishment Plant") 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 D/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.

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

<sup>2</sup> National Grid Company plc

<sup>3</sup> Report from NGC – Consultation Reference D/04, Issue 1, Date of Issue 9 July 2004  
([http://www.nationalgrid.com/uk/indinfo/grid\\_code/pdfs/D04\\_Report\\_to\\_the\\_Authority.pdf](http://www.nationalgrid.com/uk/indinfo/grid_code/pdfs/D04_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 5 ("OC5") that it considers that if these changes were implemented would improve both the clarity of the existing provisions and their consistency with current practice.

NGC has proposed a change to OC5.5.1.1 that would provide NGC with an explicit right to ask a generator to carry out tests following plant refurbishment work or changes to the settings by that generator which is reasonably considered to have a material impact on the performance of that generator. NGC stated that the proposed change is intended to formalise the current practice with existing generators. NGC further advised that it believes that the proposed changes are a necessary clarification to ensure that NGC is able to check for any adverse implications on the security of the transmission system or quality of supply as a consequence of generator plant refurbishment work.

NGC reported that it received 4 responses to consultation D/04 from authorised electricity operators and that:-

- All respondents initially noted concerns about the proposed changes but subsequently accepted them following an amendment to the proposed drafting to clarify that NGC would only ask a generator to carry out tests if the refurbishment work was considered to have a material impact.
- 2 respondents noted that the proposed changes were not required as they considered that the Grid Code already provided the required level of clarity. However, these respondents did not object to the proposed changes on the basis of NGC's assurance that existing generators currently comply with the proposed requirement.
- 1 respondent considered that the associated discussion note published by NGC<sup>4</sup> could be incorporated in NGC's Guidance Notes for Generators<sup>5</sup>.

## GB Consultation

Ofgem has consulted on the impact these changes may have throughout Great Britain as part of the Ofgem/DTI consultation on the Grid Code under BETTA<sup>6</sup> and in its open letter to the chair of the GCRP and SGCRP. One of the respondents to this consultation commented on the applicability of the changes set out in the report to the Authority arising from consultation D/04 ("Grid Code Compliance Issues with Refurbishment Plant") and considered that the proposed change was appropriate to apply on a GB wide basis.

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<sup>4</sup> NGC Discussion Note, 'Assessment of refurbished plant dynamic performance', ([http://www.nationalgrid.com/uk/indinfo/grid\\_code/pdfs/cp\\_d04\\_discussion\\_note.pdf](http://www.nationalgrid.com/uk/indinfo/grid_code/pdfs/cp_d04_discussion_note.pdf)).

<sup>5</sup> NGC Publication, 'Guidance Notes for Generators – Grid Code Compliance Testing and Submission of the Connection Conditions Compliance Report, Issue 10 -11/01', ([http://www.nationalgrid.com/uk/indinfo/grid\\_code/pdfs/Compliance\\_Report\\_November\\_2001\\_issue\\_10.pdf](http://www.nationalgrid.com/uk/indinfo/grid_code/pdfs/Compliance_Report_November_2001_issue_10.pdf)).

<sup>6</sup> '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](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/7028_9904a.pdf)).

Ofgem has consulted on whether the proposed changes are applicable for the GB Grid Code<sup>7</sup>. Ofgem received one response to this consultation. The respondent noted support for the proposed changes associated with D/04 being incorporated in the GB Grid Code.

### **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 D/04 ("Grid Code Compliance Issues with Refurbishment Plant").

### **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)<sup>8</sup> of the Transmission Licence ("the obligations") and Ofgem's wider<sup>9</sup> 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 is aware of the importance to NGC of generator compliance with the Grid Code Connection Conditions, when discharging its obligations in relation to the transmission system security and quality of supply. Ofgem also acknowledges the importance to NGC of information that describes the performance of generating plant. Ofgem considers that the proposed change will define a process that allows NGC to collect information by asking generators to carry out tests to demonstrate Grid Code compliance following refurbishment works that are expected to have a material impact on generator performance.

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<sup>7</sup> '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](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/8575_21604_E04_F03_D04.pdf)).

<sup>8</sup> 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.

<sup>9</sup> Ofgem's statutory duties are wider than the matters that NGC must take into consideration and include amongst other things social and environmental guidance provided to Ofgem by the government.

Ofgem notes the confirmation from NGC and the generators in response to consultation D/04, that the proposed Grid Code changes reflect current practice and that the changes are not intended to introduce additional testing requirements on generators but to clarify that testing of refurbished plant may be requested by NGC.

Ofgem considers that the additional clarity in the description in OC5 of the circumstances in which NGC may ask a generator to carry out tests following refurbishment of generating plant will contribute to the efficiency of NGC's operation of the transmission system and promote the security of the electricity system as a whole.

Ofgem notes one respondent's view that NGC should incorporate the published discussion note ('Assessment of refurbished plant dynamic performance') in the guidance note that it provides to generators. Ofgem also notes NGC's view that this guidance note is intended to inform new generator of obligations under the Grid Code and NGC's concern that inclusion of information relating to refurbished plant could lead to confusion. As this guidance note does not form part of the Grid Code the Authority does not feel that it is appropriate to direct NGC to take any action in relation to it. However, Ofgem does consider that it would be beneficial if the discussion note remained available to users of the transmission system.

Ofgem asked NGC to review the proposed drafting for the changes set out in the report to the Authority arising from consultation D/04 ("Grid Code Compliance Issues with Refurbishment Plant") 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 D/04 did not require revision.

### **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 report submitted to the Authority arising from consultation D/04 ("Grid Code Compliance Issues with Refurbishment Plant").

The Authority agrees that the implementation date for these changes should be 29 November 2004.

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 Steve Argent on 020 7901 7418.

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