



National Grid

A REPORT TO THE AUTHORITY

**Pursuant to Paragraph 2 of Condition 7 of the
Transmission Licence.**

Proposed Grid Code Modification

**Proposed changes to Grid Code BC2 consequent on
BSC Modification Proposal P87.**

**The purpose of this document is to assist the Authority in its
decision of whether to implement the proposed
Grid Code Modification**

Consultation Paper Ref	F/02
Issue	D01
Date of Issue	10 Jan 2003
Prepared by	National Grid

DISTRIBUTION

Name	Organisation
Authority	Ofgem
Grid Code Review Panel Members	Various
National Grid Industry Information Website	

1. Paragraph 2 of Condition 7 of the Transmission Licence granted to 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 (b) of Condition 7 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. The review was concerned with a proposed change to the Grid Code BC2 – Post Gate Closure Process and is a consequential change that will be necessary if the Authority approves either the BSC Modification Proposal P87 or its alternative. Attached as Appendix A are the proposed revisions to the current Grid Code Glossary and Definitions and Balancing Code No 2 for the two possible scenarios (shown in typed form with the deletions crossed through and additions double underlined).
3. The proposed changes to the Grid Code were communicated by e-mail to the Grid Code Review Panel members 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 F/02, which was dated 1st November 2002 and which contained the proposed amendments to the Grid Code. A copy of Consultation Paper F/02 is attached to this Report as Appendix B. National Grid also placed a copy of the Consultation Paper on its website to ensure its wide availability.
5. Comments were invited from all such authorised electricity operators by 15th November 2002. National Grid has received responses from 7 authorised electricity operators. Three respondents had substantive comments and one has maintained an objection to the proposals. This objection, National Grid's response and the subsequent sustained objection are attached as Appendix D. The other respondents supported the proposed changes, although one wished it to be noted that (in their view) the proposed change to BC2.5.2.3(ii), which states that the BM Participant will be relieved of its obligations relating to Physical Notifications may introduce some potential for Intertrip affected BM Units to take advantage of their situation through excessive Physical Notifications. National Grid has responded by pointing out that BC2.5.2.3(ii) requires that any Physical Notifications submitted must be the BM Participant's "best estimate" and that this represents a sufficiently

strong obligation. National Grid would monitor any changes to Physical Notifications after an intertrip had activated.

6. The AEO with the maintained objection also raised an issue of the proposed changes to the Grid Code mentioning commercial arrangements relating to intertrips between NGC and the BM Participant. They pointed out that there did not seem to be any details of what these commercial arrangements would be or in what circumstances they would be put into place and that there is also no requirement within the Connection Conditions for such commercial arrangements to be put into place. National Grid responded by stating that it had deliberately not specified what the “agreements” would be. Where necessary, a Bilateral Agreement may be entered into between National Grid and the Generator. It is likely that this would take the form of a Commercial Services Agreement or be held within the Bilateral Connection Agreement.
7. National Grid has responded to all respondents to resolve these issues and has incorporated a few changes into the proposals, where comments from AEOs had indicated that the proposals would be improved as a result of the changes.
8. The proposed revisions to the Grid Code are, as indicated above, set out in Appendix A to this Report. Changes since the issue of the Consultation Paper are indicated by means of a vertical line in the right hand margin. By way of summary, the proposed changes are described below :-
 - 8.1 Balancing Code No 2 (BC2) deals with the processes that occur in the Balancing Mechanism Post Gate Closure. Amongst other things, it details the circumstances under which Bid-Offer Acceptances will be issued. BC2.5.2.3 contains provisions that require the deeming of the issue of a Bid-Offer Acceptance if a BM Unit is desynchronised due to the operation of an intertripping scheme that is in service to protect the Transmission System.
 - 8.2 A BSC Modification Proposal and an alternative (P87) have been developed to change the commercial mechanism for payments under these circumstances, which does not rely on the issue of a Bid-Offer Acceptance. The BSC Panel decided on 17th October 2002 to submit a report to the Authority recommending implementation of the alternative proposal. Details of the BSC Modification Proposal can be found on the Elexon website at <http://www.elexon.co.uk/ta/modifications/modifications.html> .
 - 8.3 Implementation of either the original (which would only be valid until 31 March 2003) or the alternative will require a consequential change to the Grid Code to amend the relevant sentence in BC2.5.2.3. The sentence requires changing to make it clear that a Bid-Offer Acceptance will **not** be deemed to have been issued in these circumstances.
 - 8.4 In the case of the P87 alternative proposal, it is also necessary to amend the requirements for the submission of Physical Notification data which accurately indicates the expected operation of the BM Unit. National Grid has a number of concerns about this issue, as accurate Physical Notifications representing the true physical operation of plant form an essential input into

National Grid's planning process to ensure efficient balancing of the system in real time. These Physical Notifications are used to forecast energy imbalance and to manage frequency on a minute to minute basis. The advice systems that support these functions also rely on accurate notifications. Under the P87 alternative proposal, to retain effectiveness of these systems under conditions where a intertrip has activated National Grid will rely on generators submitting Maximum Export Limits, in accordance with BC2.5.3, to represent the true physical operation of plant.

- 8.5 To ease drafting, a new defined term "Intertrip-affected BM Unit" is introduced, which may also be referred to in the BSC.
 - 8.6 A small change is also required to BC2.10.3 for both the original and alternative P87, to remove a repeated reference to the issue of Bid-Offer Acceptances in the event of an intertrip.
9. As indicated above, having regard to the outcome of the review described in this Report, National Grid proposes the revisions to the Grid Code set out in Appendix A, which revisions we reasonably think fit for the achievement of the objectives referred to in sub-paragraph (b) of paragraph 1 of Condition 7 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 7 of the Transmission Licence.
10. 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 National Grid Company plc
10 January 2003

Appendix A

PROPOSED GRID CODE CHANGES

EXTRACTS FROM BALANCING CODE NO. 2

POST GATE CLOSURE PROCESS

For P87 Original

BC2.5.2.3 **BM Participants must only Synchronise or De-Synchronise BM Units;**

- (a) at the times indicated to **NGC**, or
- (b) at times consistent with variations in output or input arising from provisions described in BC2.5.1,

(within a tolerance of +/- 5 minutes) or unless that occurs automatically as a result of intertrip schemes or **Low Frequency Relay** operations or an **Ancillary Service** pursuant to an **Ancillary Services Agreement**. In the case of an **Intertrip-affected BM Unit** then:-

- i. up to and including 31 March 2003, no **Bid-Offer Acceptance** will be treated as having been issued. Commercial arrangements in respect of the operation of an intertrip in these circumstances are dealt with in the **BSC** or in an agreement between **NGC** and the **BM Participant**;
- ii. after 31 March 2003, a **Bid-Offer Acceptance** will be treated as having been issued. This will reflect the operation of the intertrip in order to form the **Bid-Offer Acceptance** data to be given to the **BMRA** under the **BSC**.

For P87 Alternative

BC2.5.2.3 **BM Participants must only Synchronise or De-Synchronise BM Units;**

- (a) at the times indicated to **NGC**, or
- (b) at times consistent with variations in output or input arising from provisions described in BC2.5.1,

(within a tolerance of +/- 5 minutes) or unless that occurs automatically as a result of intertrip schemes or **Low Frequency Relay** operations or an **Ancillary Service** pursuant to an **Ancillary Services Agreement**. In the case of an **Intertrip-affected BM Unit** then no **Bid-Offer Acceptance** will be treated as having been issued. In respect of the operation of an intertrip in these circumstances:-

- i. the commercial arrangements are dealt with in the **BSC** or in an agreement between **NGC** and the **BM Participant**, and
- ii. until a time to be notified by **NGC**, (such time to take due account of the provisions and data provided under BC1 and BC2), the **BM**

Participant will be relieved of its obligations in BC1.4.2(a), BC1.4.3 and BC2.5.1 requiring that **Physical Notifications** shall represent the best estimate of expected input or output of the **Intertripaffected BM Unit** and instead the **BM Participant** should submit **Physical Notifications** for the **Intertrip-affected BM Unit** to represent such **BM Participant's** best estimate of the **Intertrip-affected BM Unit's** expected input or output of **Active Power** before the operation of the intertrip, as though no intertrip had operated. Nothing in this paragraph shall relieve the **BM Participant** of any of its other obligations under BC1.4.2(a), BC1.4.3 and BC2.5.1, in respect of such **Intertrip-affected BM Units** and of any of its obligations under BC1.4.2(a), BC1.4.3 and BC2.5.1, in respect of any **BM Units** other than **Intertrip-affected BM Units**.

For P87 Original or Alternative

BC2.10.3 Subject to the provisions of BC2.5.2.3, where an instruction or notification under BC2.10.2(a), (c) or (d) results in a change to the input or output level of the **BM Unit** then **NGC** shall issue a **Bid-Offer Acceptance** or **Emergency Instruction** as appropriate..

New definition to be added to Glossary and Definitions

Intertrip-affected BM Unit

A **BM Unit** in relation to which an intertrip has been instructed to be switched into service under BC2.10 in order to protect the **NGC Transmission System** and which is **De-Synchronised** due to an operation of the intertrip that is not due to a fault at the **BM Unit**.

Appendix B



CONSULTATION DOCUMENT

Proposed Change to Grid Code BC2 consequent on BSC Modification Proposal P87

The purpose of this document is to consult on the above Grid Code Modification Proposal with authorised electricity operators liable to be materially affected by the proposed changes

Consultation Ref	F/02
Issue	1.0
Date of Issue	1 st November 2002
Prepared by	National Grid

DOCUMENT LOCATION

National Grid website:

http://www.nationalgridinfo.co.uk/grid_code/mn_consultation_papers.html

DISTRIBUTION

Name	Organisation
AEO's	Various
GCRP Members/Alternates	Various
Interested Parties	Various
National Grid Industry Information Website	

A. INTRODUCTION

1. National Grid Company plc ("National Grid"), in accordance with its obligations under paragraph 2 of Condition 7 of the Transmission Licence, believes that the time has come to review, in consultation with authorised electricity operators liable to be materially affected thereby, the Grid Code and its implementation in certain respects.
2. This review is concerned with a proposed change to the Grid Code BC2 – Post Gate Closure Process and is a consequential change that will be necessary if the Authority approves the BSC Modification Proposal P87, or its alternative. The proposed changes to the Grid Code have been distributed to members of the Grid Code Review Panel, who have been given the opportunity to comment on them.
3. Following receipt of comments from those authorised electricity operators which it has consulted by this Paper, National Grid intends, in accordance with paragraph 2 of Condition 7 of the Transmission Licence, to send to the Authority :-
 - (a) a report on the outcome of its review, including this consultation process;
 - (b) the proposed revisions to the Grid Code which National Grid (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives of the Grid Code referred to in subparagraph (b) of paragraph 1 of Condition 7 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.
4. The report will also be made publicly available on National Grid's website.
5. The revisions to the Grid Code proposed by National Grid and sent to the Authority then require approval by that body and will, if approved, come into force on such date (or dates) of which you will be notified by National Grid, in accordance with the Authority's approval.

B. DESCRIPTION OF THE PROPOSED AMENDMENTS AND THEIR EFFECTS

6. Balancing Code No 2 (BC2) deals with the processes that occur in the Balancing Mechanism Post Gate Closure. Amongst other things, it details the circumstances under which Bid-Offer Acceptances will be issued. BC2.5.2.3 contains provisions that require the deeming of the issue of a Bid-Offer Acceptance if a BM Unit is desynchronised due to the operation of an intertripping scheme that is in service to protect the Transmission System.
7. A BSC Modification Proposal and an alternative (P87) have been developed to change the commercial mechanism for payments under these circumstances, which does not rely on the issue of a Bid-Offer Acceptance. The BSC Panel decided on 17th October 2002 to submit a report to the

Authority recommending implementation of the alternative proposal. Details of the BSC Modification Proposal can be found on the Elexon website at <http://www.elexon.co.uk/ta/modifications/modifications.html> .

8. Implementation of either the original (which would only be valid until 31 March 2003) or the alternative will require a consequential change to the Grid Code to amend the relevant sentence in BC2.5.2.3. The sentence requires changing to make it clear that a Bid-Offer Acceptance will **not** be deemed to have been issued in these circumstances. In the case of the P87 alternative proposal, it is also necessary to amend the requirements for the submission of Physical Notification data which accurately indicates the expected operation of the BM Unit. National Grid has a number of concerns about this issue, as accurate Physical Notifications form an essential input into National Grid's planning process to ensure efficient balancing of the system in real time. These concerns will be spelt out in the report to the Authority following this consultation. To ease drafting, a new defined term "Intertrip Affected BM Unit" is introduced, which may also be referred to in the BSC.
9. A small change is also required to BC2.10.3 for both the original and alternative P87, to remove a repeated reference to the issue of Bid-Offer Acceptances in the event of an intertrip.
10. Appendix 1 shows the proposed Grid Code change with additions double-underlined and deleted text struck-through.

C. COMMENTS

11. National Grid would be grateful to receive your comments on, or any suggestions you may have in relation to, these proposed amendments to the Grid Code. Comments would be welcomed and should be sent to National Grid by **15th November 2002**. The comments will be reviewed and responded to and National Grid will then prepare its report to the Authority.
12. Unless otherwise marked as confidential any responses containing objections to the proposals that are maintained will be published on our website in the copy of the Report to the Authority referred to in paragraphs 3 and 4.
13. Your formal responses may be:-

Posted to: Mr David Payne
Network Strategy, Commercial Codes
National Grid Company plc
National Grid House
Kirby Corner Road
Coventry
CV4 8JY

Faxed to: 024 7642 3298

Emailed to: david.payne@uk.ngrid.com

Appendix 1

EXTRACTS FROM BALANCING CODE NO. 2

POST GATE CLOSURE PROCESS

For P87 Original

BC2.5.2.3 **BM Participants** must only **Synchronise** or **De-Synchronise BM Units**;

- (c) at the times indicated to **NGC**, or
- (d) at times consistent with variations in output or input arising from provisions described in BC2.5.1,

(within a tolerance of +/- 5 minutes) or unless that occurs automatically as a result of intertrip schemes or **Low Frequency Relay** operations or an **Ancillary Service** pursuant to an **Ancillary Services Agreement**. In the case of an **Intertrip-affected BM Unit** then:-

- iii. up to and including 31 March 2003, no **Bid-Offer Acceptance** will be treated as having been issued. Commercial arrangements in respect of the operation of an intertrip in these circumstances are dealt with in the **BSC** or in an agreement between **NGC** and the **BM Participant**;
- iv. after 31 March 2003, a **Bid-Offer Acceptance** will be treated as having been issued. This will reflect the operation of the intertrip in order to form the **Bid-Offer Acceptance** data to be given to the **BMRA** under the **BSC**.

For P87 Alternative

BC2.5.2.3 **BM Participants** must only **Synchronise** or **De-Synchronise BM Units**;

- (c) at the times indicated to **NGC**, or
- (d) at times consistent with variations in output or input arising from provisions described in BC2.5.1,

(within a tolerance of +/- 5 minutes) or unless that occurs automatically as a result of intertrip schemes or **Low Frequency Relay** operations or an **Ancillary Service** pursuant to an **Ancillary Services Agreement**. In the case of an **Intertrip-affected BM Unit** then no **Bid-Offer Acceptance** will be treated as having been issued. In respect of the operation of an intertrip in these circumstances:-

- i. the commercial arrangements are dealt with in the **BSC** or in an agreement between **NGC** and the **BM Participant**, and
- ii. until a time to be notified by **NGC**, the **BM Participant** will be relieved of its obligations in BC1.4.2(a), BC1.4.3 and BC2.5.1 requiring that **Physical Notifications** shall represent the best estimate of expected input or output of the **Intertrip Affected BM**

Unit and instead the **BM Participant** should submit **Physical Notifications** for the **Intertrip-affected BM Unit** to represent such **BM Participant's** best estimate of the **Intertrip-affected BM Unit's** expected input or output of **Active Power** before the operation of the intertrip, as though no intertrip had operated. Nothing in this paragraph shall relieve the **BM Participant** of any of its other obligations under BC1.4.2(a), BC1.4.3 and BC2.5.1, in respect of such **Intertrip-affected BM Units** and of any of its obligations under BC1.4.2(a), BC1.4.3 and BC2.5.1, in respect of any **BM Units** other than **Intertrip-affected BM Units**.

For P87 Original or Alternative

BC2.10.3 Where an instruction or notification under BC2.10.2 (c) or (d) results in a change to the input or output level of the **BM Unit** then **NGC** shall issue a **Bid-Offer Acceptance** or **Emergency Instruction** as appropriate.

New definition to be added to Glossary and Definitions

Intertrip-affected BM Unit

A **BM Unit** in relation to which an intertrip has been instructed to be switched into service under BC2.10 in order to protect the **NGC Transmission System** and which is **De-Synchronised** due to an operation of the intertrip that is not due to a fault at the **BM Unit**.

Appendix C - AEO Distribution List for Consultation Paper F/02

24 Seven	ABB Equity Development Co Ltd
Accord Energy Limited	AEP Energy Services UK Generation Ltd
AES (for Partington Ltd)	AES Barry Limited
AES Drax Power Ltd	AES Fifoots Point Ltd
AES Indian Queens Power	AES NEW ENERGY LTD (UK)
Alcan Aluminium UK Ltd	Allied Domecq (Holdings) PLC
Allied Steel & Wire	AMERADA
Angelsey Aluminium	Aquila Energy Supplies Ltd
Atlantic Electric & Gas Ltd	Atmel
Atmel North Tyneside Limited	Baglan Generating Ltd + Baglan Operations Ltd
Barking Power	BIZZENERGY LIMITED
BNFL + Magnox Electric Ltd	BOC Limited
BP Chemicals Ltd	British Energy Generation Ltd
British Gas Generation Ltd (Centrica KL + Centrica PB)	British Gas Plc
British Gas Trading Ltd (3th Floor North)	BritNed Development Ltd
Burlington Resources (Irish Sea) Ltd	Canatxx Energy Ventures Ltd
Celtpower Ltd	Cinergy Global Power (UK) Ltd
Commercial Electricity Supplies Ltd	Conoco Global Power Developments UK Limited
Corby Power Ltd	Corus UK Ltd
Coryton Energy Co Ltd	Cottam Development Centre
Cottam Power Ltd	Damhead Creek Ltd
Derwent Co-Generation Limited	Dynergy UK Ltd
East Midlands Electricity	Economy Power Ltd
ECOTRICITY	Edison First Power Ltd
Electrabel S.A.	Electricite de France
Electricity Direct (UK) Ltd	Emerald Power Generation Ltd
Energy Power Resources Limited	Enfield Energy Centre Ltd
Enron Direct Ltd + Enron Gas & Petrochemical Trading	Enron Teesside Operations Ltd
Entergy-Koch Trading Ltd	Fellside Heat & Power Ltd
Fibrogen Ltd + Fibropower Ltd + Fibrothetford Ltd	First Hydro Company
First Hydro Company	Fleetwood Power Ltd
Fortum Direct Ltd	GPU Power Networks (UK) Ltd
Great Yarmouth Power Limited	Greenwich Energy Trading Ltd
Grovehurst Energy Ltd	Heartlands Power Ltd
Humber Power Ltd	ICI Chemicals & Polymers Ltd
Immingham CHP Ltd	INEOS Chlor Energy Ltd
Innogy + Innogy (Cogen Trading) Ltd + npower	Jade Power Generation Ltd
Keadby Development Ltd	Keadby Gen Ltd + HE Cogen Ltd + HE Energy Ltd
Killingholme Power Ltd	Lakeland Power Ltd
London Electricity plc	London Electricity Services Ltd
London Power Networks	London Underground Ltd
Manweb Services (Imperial Park)	Maverick Energy Ltd
Medway Power Ltd	Midlands Gas Ltd + OwnLabel Energy Ltd + Severn Trent Energy Ltd
Morgan Stanley Capital Group Inc	Northern Electric Distribution Ltd
Northern Electric Supply Ltd	Norweb Energi Ltd
Pentex Oil and Gas Ltd	PowerGen UK plc + PowerGen CHP Ltd
Railtrack plc	Rassau Power Ltd
Regional Power Generators Limited	Renewable Energy Co
Rocksavage Power Company Ltd	Rugeley Power Ltd
Saltend Cogeneration Co Ltd	Savage Land Ltd
Scottish & Southern (North Tynemouth)	Scottish & Southern Energy
Scottish and Southern Energy plc	Scottish Power Generation Ltd
Scottish Power plc	Scottish Power Energy Retail Ltd
Seabank Power Ltd	SEEBOARD Energy Ltd
SEEBOARD Power Networks	Sempra Energy Europe Ltd
Sheffield Heat and Power Ltd	Shell Gas Direct Limited
Slough Energy Supplies Ltd	SMARTESTENERGY LTD
South Coast Power Ltd	Southern Electric Power Distribution plc
SP MANWEB plc	Spalding Energy Company Ltd
SSE Energy Ltd	Statnett SF
Sutton Bridge Power Ltd	Teesside Power Ltd
Thameside Energy Park Ltd	TotalFinaElf Gas and Power Ltd
TXU Europe	TXU Europe Merchant Generation + Shotton CHP Ltd + Citigen (London) Ltd
UK Electric Power Ltd	UKAEA
Unit Energy Limited	United Utilities
Utility Link Ltd	Wainstones Power Ltd
Western Gas Ltd	Western Power Distribution
Williams Energy Marketing & Trading Europe Ltd	Yorkshire Electricity Group plc (distribution)
Yorkshire Electricity plc (supply)	Zest4 Ltd

Innogy plc

Trading & Asset Management, Windmill Hill Business Park
Whitehill Way, Swindon, Wiltshire, SN5 6PB



Mr David Payne
Network Strategy, Commercial Codes
National Grid Company plc
National Grid House
Kirby Corner Road
COVENTRY
CV4 8JY

7th November 2002
Tel. 01793 892667

Dear David

Grid Code Consultation Paper F/02 – Proposed Change to Grid Code BC2 consequent on BSC Modification Proposal P87

Thank you for your invitation to comment on the Grid Code Consultation Paper F/01. The following comments are made on behalf of Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited, Npower Yorkshire Supply Limited.

It is regrettable that the Grid Code Review Panel has not had the opportunity to debate fully this Grid Code consultation document, which has a number of important implications as far as Generators are concerned. Notwithstanding this, our overriding concern is that the consultation fails to address fully the consequences of BSC Modification Proposal P87. Whilst P87 seeks to address the commercial issues relating to the provision of intertrip, the relevant Grid Code obligations on both NGC and the User need to be clear in order that the proposed benefits of P87 are delivered.

Paragraph 1.2 of the Final Modification Report – Modification Proposal P87 states that “P87 was raised in an attempt to create incentives on both the Transmission Company and BSC Parties to contract for operational intertripping schemes...” However, the Grid Code Connection Conditions fail to specify the circumstances under which the Generator would be required to install and make available a “system to generator” intertripping scheme. It is therefore difficult to understand the basis on which the Generator and NGC would contract for the provision of this service.

The lack of clarity in the Connection Conditions, combined with the P87 proposals which seek to remove automatic payment for intertrip based on the BM bid price, has consequences for both new and pre-vesting power stations. For a new power station, NGC may specify that intertrip be provided in its connection offer as a contingency for future system requirements or as a temporary arrangement whilst infrastructure reinforcements are carried out. Many pre-vesting power stations already have intertrip schemes installed. These were probably required to facilitate system operation rather than enabling a connection to comply with NGC's planning standards. In both cases, once Intertrip obligations are specified in the Bilateral Connection Agreement it is difficult to understand the incentive for NGC to enter into a commercial agreement with a generator for the provision of intertrip.

Given the current debate on transmission access and Ofgem's recent System Operator (SO) "deep" incentive scheme proposal, it is expected that NGC will have an incentive to make greater use of intertrip. It is therefore essential that the provision of intertrip be covered under an appropriate commercial arrangement such that the SO is exposed to the economic cost of the service. Accordingly, it is our view that the Grid Code Consultation Document be amended such that the requirements for intertrip are fully set out in Grid Code Connection Conditions, including identifying intertrip as an Ancillary Service under CC8.

Please do not hesitate to contact me should you wish to discuss any matters in relation to the above.

Yours sincerely

John Norbury
Trading and Asset Management

Our Ref: F/02



National Grid

Date: 28 November 2002

Network Strategy
Commercial

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National Grid House
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Coventry
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John Norbury
Trading and Asset Management
Innogy plc
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Whitehill Way
Swindon
SN5 6PB

Tel No: 024 7642 3242
Fax No: 024 7642 3298

Dear John

GRID CODE CONSULTATION PAPER F/02

Thanks for your letter dated 7 November 2002.

I consider that your comments go beyond the scope of current Grid Code consultation paper F/02. The proposed Grid Code changes are merely intended to modify those provisions that are directly consequential to the BSC MP87 and its alternative. As such we are merely removing the Grid Code reference to a payment mechanism as it is proposed that this should be dealt with under the BSC. As you are aware, at the recent GCRP it was agreed that National Grid would work up a more detailed paper covering the whole area of intertrips and I hope that that paper will provide an opportunity for you to pursue your concerns in this area.

In the light of other comments received, I am planning to amend the proposed change for BC2.10.3 so that it reads :

“BC2.10.3 Where an instruction or notification under BC2.10.2 (a), (c) or (d) results in a change to the input or output level of the **BM Unit** then **NGC** shall issue a **Bid-Offer Acceptance** or **Emergency Instruction** as appropriate subject to the provisions of BC.2.5.2.3”

The existence of an intertripping scheme affecting a Generating Unit should be recorded in the appropriate Appendix of the Bilateral Agreement and this (rather than the Grid Code) is the best location for the recording of conditions associated with the intertrip utilisation leading to a bilateral commercial agreement.

A number of the other points that you raise can be expected to be resolved during the development of the proposals for Transmission Access, which will inevitably lead to a need for changes to the Grid Code and other documents in areas related to intertripping schemes.



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No 2366977

I would be pleased to receive an early response to this note which either indicates that you are content for the Grid Code change proposals of F/02 to proceed or, alternatively, which constitutes an sustained objection to be included in National Grid's report to the Authority.

Yours sincerely

A handwritten signature in black ink that reads "Geoff Charter". The signature is written in a cursive style with a large, stylized 'G' and 'C'.

Geoff Charter
Commercial Codes

From: John Norbury [JOHN.NORBURY@innogy.com]
Sent: 04 December 2002 12:00
To: Charter, Geoff; Payne, David - Coventry
Subject: RE: Grid Code Consultation Paper F/02

Geoff

Thanks for your reply. Whilst I agree that the existence of an intertripping scheme affecting a Generating Unit may be recorded in the Bilateral Agreement as opposed to the Grid Code, it is important that the Grid Code specifies the technical basis for any such intertrip scheme that might be required by virtue of the connection to the transmission system. Without sight of this technical basis, the underlying rationale for the imposition of intertrip and its continued requirement is unclear. Unless it is clear that the inclusion of such schemes in the Bilateral Agreement is optional for the generator, there would be no basis on which a commercial agreement might be negotiated with NGC.

Regarding the development of transmission access, I have no comfort that these issues will be addressed as part of this process and, indeed, one major concern is that the latest proposals appear to incentivise NGC to make further use of intertrip without necessarily acknowledging the commercial consequences.

Given that P87 and the suggested Grid Code change have effectively upset an already unsatisfactory equilibrium, I am unable to support the proposed Grid Code changes and continue a "sustained objection".

Kind Regards

John Norbury
Innogy - Trading & Asset Management
01793 892667
Fax 01793 893051