

Grid Code Review Panel
GC0049 (i): Code Governance Review (Phase 2): The Significant Code Review (SCR)

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Summary

This paper seeks to implement the Significant Code Review (SCR) aspect of the Code Governance Review (Phase 2) proposals to meet the new requirements under the modified electricity transmission licence.

Revisions will be required to the General Conditions, Glossary & Definitions and Constitution & Rules of the Grid Code Review Panel. As the changes proposed will not impact users in a material way but rather provide additional clarity around a process, it is proposed that the issue is progressed to Industry Consultation.

Users Impacted

High

None identified

Medium

None identified

Low

National Grid, Grid Code Review Panel, Authorised Electricity Operators (AEOs)

Description & Background

In November 2007, Ofgem initiated Code Governance Review (CGR Phase 1) which sought to address concerns that the existing code arrangements may be too complex and inaccessible to smaller market participants. Following initiation of CGR (Phase 1), Ofgem proposed to prioritise changes to the CUSC, UNC and BSC as most major policy reform is achievable through the Modification of these codes. Ofgem published their final proposals and a consultation on the proposed licence drafting on 31 March 2010. These changes were implemented into their respective codes at the end of 2010.

In April 2012, Ofgem announced their intention to initiate a Code Governance Review (CGR Phase 2) which would look at extending the arrangements introduced to the CUSC, UNC and BSC to the other codes. Following on from this, Ofgem published a consultation on their CGR (Phase 2) Proposals in September 2012.

Ofgem announced their CGR (Phase 2) final proposals on 27 March 2013¹. This second phase focused on extending some of the conclusions to the Grid Code;

- Applying Significant Code Review procedures uniformly, allowing for holistic cross-code reviews.

¹ <http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Pages/GCR.aspx>.

Proposed Solution

This Modification Proposal seeks to introduce into the Grid Code one of the proposals highlighted in CGR (Phase 1), the Significant Code Review (SCR). The SCR process seeks to require certain licence holders to raise code Modifications in line with the conclusions set out by the Authority following a SCR. The SCR will allow the Authority to initiate a review of one or more matters which they consider to:

- Have significant impacts on electricity consumers or competition;
- Have significant impacts on the environment, security of supply or sustainable development;
- Create significant cross code or cross licence issues;
- Have a significant impact on the Authority's principle objectives (under section 3A of the Act), statutory functions or relevant obligations bound by EU law.

National Grid proposes Modifications to the Grid Code to create the following process (please see Appendix 1 for the proposed illustrative process flow diagram);

- (i) Where an SCR has been initiated by the Authority, a notice will be issued to the Grid Code Parties that an SCR has commenced. This will also detail the start date of the SCR and the matters which will be within the scope of the review. ***(Paragraph (i) is for information only and will not require an amendment to the Grid Code)***
- (ii) National Grid will update the Modification Proposal template to allow National Grid to give reasoning on whether it should be included within the scope of an SCR if the Modification is being raised during the SCR Phase.
- (iii) Any Modification Proposals which were made before the SCR Phase commenced will still progress under the normal Modification process.
- (iv) If a Modification Proposal raised prior to an SCR Phase is sent to Authority for determination but it is subsequently sent back (under the proposed Send Back Process) in to the Modification Process during an SCR Phase, that Modification Proposal will not be subject to the SCR.
- (v) Any new non urgent Modification Proposal may not progress if it is deemed to fall within the scope of the SCR during the SCR phase, unless it is agreed by the Authority. An initial assessment of whether a proposal falls within an SCR will be determined by the Grid Code Review Panel (the "Panel") which may include an optional consultation with the industry. A final assessment will be sent to the Authority by the Panel Secretary once the consultation has concluded, unless a consultation has been deemed unnecessary.
- (vi) If a response has not been received from the Authority within 28 calendar days regarding the decision of whether a Modification Proposal should be subsumed, the proposal will follow the normal Modification process unless otherwise directed by the Authority.
- (vii) If the Authority subsumes a new Modification Proposal within the SCR, the original proposal will be deemed as suspended and may not be adopted by another party.
- (viii) A subsumed Modification Proposal which is suspended will go back to the Panel for consideration as to how it should be progressed, once the SCR phase ends or is deemed to have ended.
- (ix) The SCR phase will last approximately 12 months after which the Authority should publish the conclusions of the SCR and issue directions to the licensee(s). The Authority will have 28 days in which to provide a direction for any Modification Proposals to be raised. If no direction has been given then SCR phase will have been deemed to have ended.
- (x) The period of the SCR Phase will be between the date at which Authority states that an SCR is initiated and the date at which the Authority issues a direction.

- (xi) If any Modification Proposals have been raised following the direction from the Authority, these will follow the standard Grid Code Modification process with the exception that these Modification Proposals cannot be withdrawn without the Authority's prior consent.

Assessment against Grid Code Objectives

(i) to permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity;

The proposed changes permit the operation of an efficient transmission system by removing any confusion within the Grid Code requirements when the Authority action a SCR so as to cause the minimum impact to the Modification process. This additional clarity will help promote system security by ensuring parties are aware of the process surrounding the invoking of an SCR by the Authority.

(ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity 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);

The proposed changes are neutral to this objective.

(iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole; and

The proposed changes are neutral to this objective.

(iv) to efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency.

The proposed changes to the Grid Code will allow the transmission licensees to meet the new significant obligations imposed upon them through the transmission licence as a result of CGR (phase 2).

Impact & Assessment

Impact on the National Electricity Transmission System (NETS)

The proposed changes will not have an adverse impact on the Transmission System.

Impact on Greenhouse Gas Emissions

The proposed changes will not have a material impact on Greenhouse Gas Emissions.

Impact on core industry documents

None identified at this time.

Impact on other industry documents

None identified at this time.

Supporting Documentation

Have you attached any supporting documentation: Yes

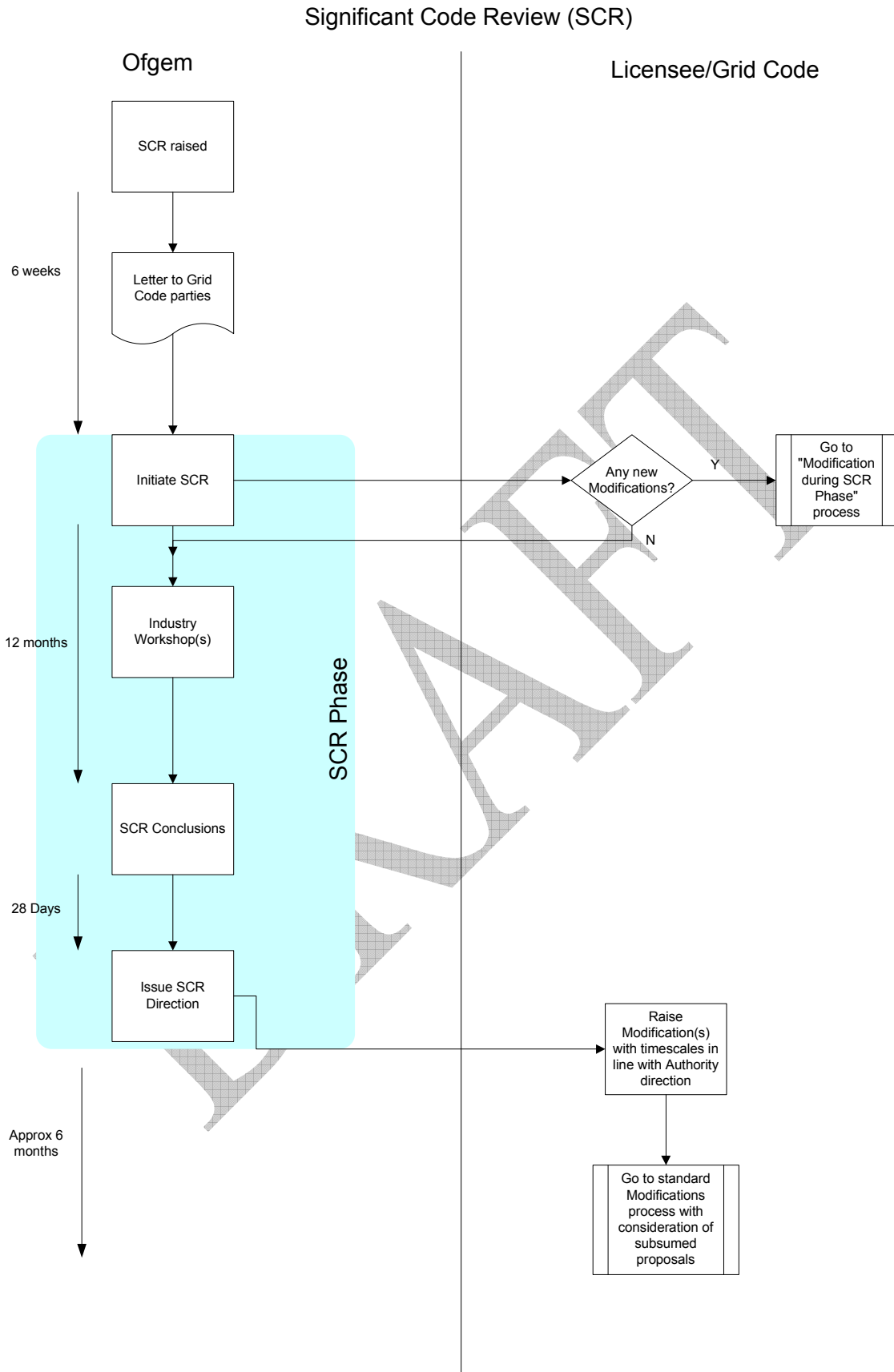
If Yes, please provide the title of the attachment: Appendix A - Process Diagram

Recommendation

The Grid Code Review Panel is invited to:
Progress this issue to Industry Consultation

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Appendix A – SCR Process Diagram



Amendment During SCR Phase

