Interim Report to the Grid Code Review Panel

Implementation of Technical Requirements for Licence-Exempt Embedded Medium Power Stations

Background

1. At the Grid Code Review Panel on 22 May 2003 a paper produced jointly by National Grid and the Distribution Network Operators was presented. This set out a number of issues related to how the technical requirements relating to Medium Embedded Power Stations should be applied to Licence Exempt Medium Power Stations. The GCRP agreed that a Working Group should be formed to consider this issue and subsequently the DCRP endorsed this decision.
2. Two meetings of the Licence Exempt Embedded Medium Power Station Working Group have now taken place and this paper is intended to provide the GCRP with a report on progress.

Working Group Deliberations

3. The WG considered its Terms of Reference. Revised Terms of Reference were developed and are set out in Annex 2 to this report. The issues set out in the paper GCRP 03/19 were then debated before working up a series of possible models that might be applied to this issue. These are summarised in the table below in Annex 1.
4. Each of the models was assessed against a set of criteria which included:

   - Compliance with Licences, statutes etc.
   - Obligations to be consistent with party's normal activities / duties
   - Need for derogations removed
   - Transparency
   - Practicality / complexity / simplicity / efficiency
   - Governance route

5. This assessment concluded that the route which appeared to best meet the criteria was the "Option 2".

Description of "Option 2"

6. Based on the discussion thus far, "Option 2" has the following features. It would involve the modification of the Grid Code to include new obligations on DNOs to ensure that embedded Licence Exempt Medium Power Stations comply with certain technical requirements (set out elsewhere in the Grid Code). Under this option, the DNOs would be able to determine the most appropriate way to fulfil the new obligations. Initial thoughts of the DNO members of the WG suggested that changes

to the Distribution Code might be preferred, over connection agreements, due to the level of transparency this route offers.

7. The technical requirements which National Grid is interested in ensuring apply to Licence Exempt Medium Power Stations stem from National Grid's Licence obligations in respect of safe and efficient operation of the total system. (I.e. they are Licence obligations on National Grid and not on the DNOs. Therefore to include these technical requirements directly in the Distribution Code would not be appropriate since they do not stem from the DNO's Licence obligations).

8. Compliance with the Grid Code is a matter for National Grid and where appropriate, compliance testing is currently undertaken. "Option 2" would allow for National Grid to retain responsibility for this testing. (In this case an allowance for this in the Transmission price control would need to remain). Given this, no significant additional cost should be incurred by the DNOs. The changes to the Distribution Code (or the DNO connection agreements) that "Option 2" would require would need to provide for National Grid to visit the Licence Exempt Medium Power Station site and undertake any necessary tests directly, or for the DNO to do this on National Grid's behalf.

9. A Licence Exempt Medium Power Station failing to meet the relevant technical requirements would be in breach of the Distribution Code (or its Distribution Network connection agreement). Failure to remedy the breach would ultimately lead to National Grid requesting the DNO to disconnect the Licence Exempt Medium Power Station – the DNO might require an indemnity from National Grid[1]. If the DNO failed to take the necessary action then they would be breaching their Distribution Licence as well as the CUSC (6.3).

Next Steps

10. The next steps will be for National Grid to develop draft legal text to give effect to the principles contained within "Option 2" and set out above. The Working Group will then meet to discuss and develop this text. The DNO representatives of the Working Group will be invited to report to the Distribution Code Review Panel so that they can consider the issues of principle raised by the draft proposal together with co-ordination and practical implementation issues. Subject to the outcome of the above, National Grid would then consult on the proposed modification to the Grid Code. The necessary Distribution Code changes (or changes to Distribution Network connection agreements) would need to be introduced in parallel under the relevant governance arrangements.

11. The GCRP are invited to note the progress being made on this issue by the Working Group.

[1] This may require a consequential change to CUSC.

Annex 1

GOVERNANCE ROUTE:

1. CUSC to DNO to LICENCE EXEMPT MEDIUM POWER STATION

- CUSC modified to include an obligation on DNOs to ensure that embedded Licence Exempt Medium Power Stations comply (either via D Code or DNO Connection Agreement) with certain Grid Code provisions.

2. GRID CODE to DNO to LICENCE EXEMPT MEDIUM POWER STATION

- Grid Code modified to include an obligation on DNOs to ensure that embedded Licence Exempt Medium Power Stations comply (either via D Code or DNO Connection Agreement) with certain Grid Code provisions.

3. NGC to LICENCE EXEMPT MEDIUM POWER STATION

- Direct agreement between NGC and the embedded Licence Exempt Medium Power Station (as is currently the case under the DTI requirement as a condition on licence exemption of the generator).

4. CUSC to SUPPLIER to LICENCE EXEMPT MEDIUM POWER STATION

- CUSC modified to place an obligation on suppliers to ensure they only contract with "Grid Code compliant" Licence Exempt Medium Power Stations.

5. DISTRIBUTION CODE to LICENCE EXEMPT MEDIUM POWER STATION

- Distribution Code modified to explicitly include the technical requirements identified (e.g. frequency response and fault ride through capability) which will apply directly to embedded Licence Exempt Medium Power Stations.

6. LICENCE EXEMPTION CRITERIA FOR LICENCE EXEMPT MEDIUM POWER STATIONS

- Seek changes to Generator Licensing arrangements such that 50-100MW generators which are licence exempt are nevertheless required to comply with certain Grid Code conditions.

7. GRID CODE to SUPPLIER to LICENCE EXEMPT MEDIUM POWER STATION

- Grid Code modified to place an obligation on suppliers to ensure they only contract with "Grid Code compliant" Licence Exempt Medium Power Stations.

8. MARKET SOLUTIONS

- No Grid Code technical requirements on this type of generation – instead rely on market mechanisms to deliver the required services.

9. DO NOTHING

- No change to the existing arrangements – NGC purchases additional response as necessary.

10. LICENCE EXEMPT MEDIUM POWER STATIONS BUY OUT OF OBLIGATIONS

- Obligations are placed on parties (unclear where) to either be compliant with the Grid Code technical requirements or pay to “buy out” of the obligation.

Annex 2

Amended Terms of Reference

Joint GCRP/DCRP Working Group

Implementation of Technical Requirements for

Licence-Exempt Embedded Medium Power Stations

Terms of Reference

Membership

Andy Balkwill	National Grid (Chair)
Sue Newbould	National Grid (Technical Secretary)
Mike Kay	United Utilities
Patrick Hynes	National Grid
Claire Maxim	Powergen
John Norbury	Innogy
Guy Nicholson	Econnect
James Glennie	BWEA
Bridget Morgan	Ofgem (observer)
Nigel Turvey	Western Power
Chris Berry	SP Powersystems
Charlie Zhang	EDF Energy plc

Terms of Reference

1. To explore and identify possible transparent and binding long-term mechanisms, which would allow relevant existing and developing Grid Code technical requirements for licence-exempt embedded medium power stations to be applied, enforced and complied with during the lifetime of the station.
2. To assess the practicality and acceptability of each potential option and also assess high level impact of each potential option on Grid Code, Distribution Code and other key industry documents.
3. To consider other mechanisms as appropriate.
4. The joint GCRP/DCRP working group will report progress and outcome to both Panels.
5. The membership of the joint working group will be drawn from the GCRP/DCRP or their nominated representatives, and Ofgem.
6. The joint working group will aim to complete its work for the GCRP and DCRP meetings that take place on 20 November 2003 and 27 November 2003 respectively.