

Modification proposal:	Grid Code GC0072: Code Governance Review (Phase 2) – Code Administrator and Code Administration Code of Practice		
Decision:	The Authority ¹ directs that the proposed modification to the Grid Code ² be made		
Target audience:	National Grid Electricity Transmission PLC (NGET), Grid Code users and other interested parties		
Date of publication:	18 October 2013	Implementation Date:	5 November 2013

Background to the modification proposal

Ofgem’s Code Governance Review³ (CGR) sought to update and improve the industry code governance arrangements to ensure that they could effectively meet the challenges facing the industry, and to reduce complexity in order to ensure transparency and accessibility for all industry participants.

The CGR concluded in March 2010 with final proposals focusing primarily on the Balancing and Settlement Code (BSC), the Connection and Use of System Code (CUSC) and the Uniform Network Code (UNC). In April 2012, we initiated a second phase CGR (CGR Phase 2) with the aim of extending governance arrangements introduced through the CGR to other industry codes, including the Grid Code.

Following a consultation on initial proposals in September 2012,⁴ we published final proposals for CGR Phase 2 in March 2013.⁵ Licence modifications giving effect to these final proposals came into force on 5 August 2013.

The CGR Phase 2 final proposals included a requirement for the introduction of the concept of an administrative body (the “Code Administrator”) and the Code Administration Code of Practice (CACoP)⁶ into the Grid Code governance arrangements. The CACoP establishes certain principles that are considered to capture the key elements of best practice in the administration of code modification procedures. It also provides a template for the ongoing convergence and simplification of existing code rules.

The licence also sets out a role for the Code Administrator to facilitate the code modification processes and assist, where reasonably requested, code users wishing to engage with the Grid Code modification procedures.

¹ The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ CGR Phase 1 final proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-final-proposals-4310>

⁴ CGR Phase 2 initial proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-2-consultation>

⁵ CGR Phase 2 final proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-2-final-proposals>

⁶ The CACoP is for energy code administrators and users of those codes. It was developed by industry as part of the CGR: <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-administration-code-practice-cacop>

The modification proposal

In May 2013, National Grid Electricity Transmission (NGET) submitted a paper to the Grid Code Review Panel (GCRP) seeking views on introducing the Code Administrator role and the CACoP into the Grid Code governance procedures. The GCRP agreed that NGET undertake an industry consultation which took place over July and August 2013.

GC0072 was subsequently raised by NGET and seeks to make changes to the Grid Code to incorporate a Code Administrator role and the CACoP in line with the CGR Phase 2 licence changes. The proposed modifications to the Grid Code General Conditions recognise that the Grid Code's Code Administrator (NGET) should comply with the CACoP principles.⁷

NGET's recommendation

In NGET's view, GC0072 better facilitates achievement of the Grid Code objectives (i) and (iv). NGET considers that it would enable more timely and efficient progression and implementation of code modifications and allow NGET to meet its licence obligations. NGET therefore recommends approval of GC0072.

Our decision

We have considered the issues raised by the modification proposal and included in the final Report dated 13 September 2013. We have considered and taken into account the responses to NGET's consultation on the modification which are included in the final Report.⁸ The Authority has concluded that:

1. implementation of the modification will better facilitate the achievement of the objectives of the Grid Code;⁹ and
2. approving the modification is consistent with our principal objective and statutory duties.¹⁰

Reasons for the Authority's decision

We have considered the views of NGET and the two respondents to the GC0072 industry consultation both of which supported approving the modification. We set out below our views on which of the applicable Grid Code objectives are better facilitated by the modification. We consider that the modification has no impact on the other Grid Code objectives.

Grid Code Objective (i) 'to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity'

NGET considers that the proposed modification supports an efficient governance process and therefore permits the effective development of an efficient transmission system. We do not consider that this modification in itself directly impacts upon the operation of the

⁷ See footnote 6.

⁸ Grid Code proposals, final reports and representations can be viewed on NGET's website at:

<http://www.nationalgrid.com/uk/Electricity/Codes/gridcode/consultationpapers/>

⁹ As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

¹⁰ The Authority's statutory duties are wider than matters which NGET must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

transmission system. However, by clarifying and codifying the Code Administrator role, adopting best practice principles and improving transparency and ease of engagement for code users, this modification will facilitate effective Grid Code governance. This permits the development and operation of an efficient transmission system, and will facilitate the introduction of effective code changes in the future.

Grid Code objective (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)'

Creating a Code Administrator role and introducing best practice principles for the code administration and modification processes should assist all participants engaging with the Grid Code, especially smaller participants and new entrants. This may result in benefits to competition, for example, by facilitating a greater degree of participation than has historically been the case, aiding understanding, and facilitating the raising and discussion of Grid Code issues by code users.

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

The recent licence modifications made to introduce the Code Administrator role and adherence to the CACoP to the Grid Code governance arrangements are now in force. NGET therefore must ensure that these licence provisions can be efficiently discharged. The changes proposed to the Grid Code by GC0072 will ensure that NGET can discharge these obligations through the Grid Code governance procedures.

Additional comments

The CGR Phase 2 introduced a licence requirement for the Code Administrator to provide assistance to Grid Code users¹¹ insofar as is practicable, and on reasonable request, in relation to their engagement with the Grid Code modification processes. We note that this has not been included in the Grid Code as part of this modification. However, we consider that it would be beneficial for NGET to, at a minimum, include reference to this obligation in the Grid Code modification process summary document or on the appropriate webpage, to ensure visibility to code users.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal Grid Code GC0072: '*Code Governance Review (Phase 2) – Code Administrator and Code Administration Code of Practice*' be made.

The Report recommends an implementation date for GC0072 of 10 business days after our decision. However, to ensure the efficient implementation of a number of Grid Code

¹¹ Grid Code users are Authorised Electricity Operators (in particular, small participants) and, to the extent relevant, consumer representatives.

modifications we are approving¹², and following discussion with NGET, we direct that GC0072 is implemented on 5 November 2013.

Lesley Nugent

Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose

¹² We are making decisions to approve GC0033, GC0071 and GC0073 at the same time.