

Grid Code Review Panel
GC0049 (iii): Code Governance Review (Phase 2): Role of Code Administrator and Code Administration Code of Practice (CACoP)

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Summary

The Code Governance Review (phase 2) final proposals seek to implement revised duties for the Code Administrators and create the Code Administration Code of Practice to improve the existing code arrangements by implementing best practice and to ensure that code administrators act in a manner consistent with the Code of Practice principles.

The principles set out in the CACoP will make the governance of the Grid Code more robust, facilitate a greater degree of participation, and generally lead to more effective decision-making.

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 and 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 the CGR conclusions to further industry codes, and included:

- Improving and aligning code administration practices

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

Proposed Solution

As part of the suite of Modification Proposals, one of the areas reviewed was the Role of Code Administrator and the creation of a Code of Practice (CACoP). Ofgem's final proposals seek to enable the Code Administrator² to assist parties to adhere to the principles contained within the CACoP, to the extent that these are relevant.

The CACoP aims to facilitate convergence and transparency in code Modification processes and was developed by Code Administrators, with input from code users and Ofgem, in order to establish best practice for code administration and to encourage participation from those involved in the energy industry who may not be code users.

Code Administrator:

National Grid proposes that the duties and functions described within section one of the CACoP setting out the principles of the Code Administration role, will be carried out by the Grid Code Review Panel Secretary, whose function shall also include maintaining the CACoP.

Code of Practice Principles:

The Grid Code needs to recognise the existence of the CACoP; however a strict 'one size fits all' approach may not produce significant benefits over and above applying the CACoP principles where relevant. This will need to be reviewed periodically and may be amended with the Authority approving any proposed changes.

National Grid proposes that the CACoP principles should be applied to the extent that they are relevant. Appendix A contains a summary of the principles National Grid considers relevant for the Grid Code, with attached rationale below for each;

1. Code Administrators shall be critical friends;

It is considered that the Grid Code Review Panel Secretary carries out this role already to help remove barriers to entry by allowing market participants access to the Grid Code Review Panel (the "Panel") and by providing knowledge around how changes to the Grid Code could potential impact them. Providing assistance, where reasonably practical and on reasonable request is seen as business as usual by National Grid.

2. Documentation published by Code Administrators shall be in clear English;

National Grid agrees that this would be consistent with other codes. Grid Code terminology has already been standardised with other Industry codes, by aligning templates and ensuring report writing is in plain English.

3. Information will be promptly and publicly available to users;

The Panel Secretary already provides this role.

4. This Code of Practice will be reviewed periodically and subject to amendment by users;

A working practice is proposed that the Panel Secretary would discuss any changes that it proposes to raise to the Code of Practice with the Panel prior to raising them; however as the CACoP change process sits within this document and not within the Grid Code, this does not form part of the Grid Code Modification process.

5. Code Administrators shall support processes which enable users to access a 'pre-Modification' process to discuss and develop Modifications;

The Grid Code currently does not have a 'pre-Modification' process; however this can easily be implemented due to the nature of the Grid Code, as potential issues are already discussed by the Panel before being formally raised by National Grid.

² The administrative or secretarial person or body who facilitates the code modification procedures.

6. A proposer of a Modification will retain ownership of the detail of their solution;

Not Applicable as National Grid are the only party who can propose changes.

7. Code Administrators will facilitate alternative solutions to issues being developed to the same degree as an original solution;

Not Applicable.

8. Estimates of implementation costs to central systems will be produced and consulted upon prior to a Modification being recommended for approval;

National Grid proposes to amend the Grid Code Modification proposal to include estimates of implementation costs to central systems. This would align the Grid Code to the other industry codes.

9. Legal text will be produced and consulted upon prior to a Modification being recommended for approval;

This is already embedded within the current Grid Code process.

10. Modifications will be consulted upon and easily accessible to users, who will be given reasonable time to respond;

This is already embedded within the current Grid Code Modification process, as the Panel Secretary issues the proposed Modification Report and confirms the Industry Consultation period (average 20 working days) unless the Panel agree a more suitable length of time, inviting responses and publishes on NGET website.

11. There will be flexibility for implementation, to allow proportionate delivery time and realisation of benefits;

Following receipt of an Authority decision, a flexible implementation date already exists within the current Grid Code process.

12. The Code Administrators will annually report on Key Performance Indicators (KPIs);

Due to the nature of the Grid Code there is a low volume of Modifications compared with other codes. Any KPIs that could be applied to the Grid Code would likely not be beneficial due to the small volume of Modifications. It is therefore proposed that this principle should not apply to the Grid Code.

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 introduction of the Codes of Practice will promote good industry practice by aligning the Grid Code with other industry codes that utilise the Code Administration Code of Practice. By defining the role of critical friend this will improve accessibility for all industry participants, particularly smaller parties and potential new entrants going forward. The Code Administration Code of Practice will also improve transparency by better aligning the Modification process and establishing common principles.

(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

Recommendation

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

Appendix A – Code Administration Code of Practice Table

Principles		Applicable
1	Code Administrators shall be critical friends	✓
2	Documentation published by Code Administrators shall be in clear English	✓
3	Information will be promptly and publicly available to users	✓
4	This Code of Practice will be reviewed periodically and subject to amendment by users	✓
5	Code Administrators shall support processes which enable users to access a 'pre-Modification' process to discuss and develop Modifications	✓
6	A proposer of a Modification will retain ownership of the detail of their solution	✗
7	Code Administrators will facilitate alternative solutions to issues being developed to the same degree as an original solution	✗
8	Estimates of implementation costs to central systems will be produced and consulted upon prior to a Modification being recommended for approval	✓
9	Legal text will be produced and consulted upon prior to a Modification being recommended for approval	✓
10	Modifications will be consulted upon and easily accessible to users, who will be given reasonable time to respond	✓
11	There will be flexibility for implementation, to allow proportionate delivery time and realisation of benefits	✓
12	The Code Administrators will annually report on Key performance Indicators (KPIs)	✗

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