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| Modification proposal: | <b>Grid Code GC0073: Code Governance Review (Phase 2) – Send Back process</b>                           |                      |                 |
| Decision:              | The Authority <sup>1</sup> directs that the proposed modification to the Grid Code <sup>2</sup> 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 Review<sup>3</sup> (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 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,<sup>4</sup> we published final proposals for CGR Phase 2 in March 2013.<sup>5</sup> 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 ‘send back’ process into the Grid Code governance arrangements. The send back process allows the Authority to send back a final report on a modification proposal where the Authority indicates that it cannot make a decision based on the original report submitted to it. A send back direction by the Authority would allow deficiencies (for example, relating to proposed legal text or incomplete analysis) in the original report to be addressed.

## 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 send back process into Grid

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

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

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

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

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

Code governance procedures. The GCRP agreed that NGET undertake an industry consultation which took place over July and August 2013.

GC0073 was subsequently raised by NGET and seeks to make changes to the Grid Code to incorporate the send back process in line with the CGR Phase 2 licence changes. The proposed modifications to the Grid Code General Conditions recognise that the Authority may direct NGET to undertake additional steps to address deficiencies in a report to the Authority where the Authority cannot properly form an opinion on a modification proposal. The direction may determine what additional steps are required to address the deficiencies, with a revised report to be re-submitted to the Authority subsequently.

### **NGET's recommendation**

In NGET's view, GC0073 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 GC0073.

### **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.<sup>6</sup> The Authority has concluded that:

1. implementation of the modification will better facilitate the achievement of the objectives of the Grid Code<sup>7</sup>; and
2. approving the modification is consistent with our principal objective and statutory duties.<sup>8</sup>

### **Reasons for our decision**

We have considered the views of NGET and the two respondents to the GC0073 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 will permit the operation of an efficient transmission system by introducing additional governance into the modification process, enabling code changes to occur in a timely and efficient manner. Whilst we do not consider that this modification in itself directly impacts upon the operation of the transmission system, the addition of the send back process to Grid Code governance

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<sup>6</sup> Grid Code proposals, final reports and representations can be viewed on NGET's website at:

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

<sup>7</sup> 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>

<sup>8</sup> 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.

should ensure an efficient and transparent change process and assist in the provision of quality analysis to support robust decision-making. The addition of this new governance mechanism will facilitate effective change processes, which permits the development and operation of an efficient transmission system.

*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 send back process 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 GC0073 will ensure that NGET can discharge its obligations relating to the send back process through the Grid Code governance procedures. We therefore consider that this modification better facilitates Grid Code objective (iv).

### **Additional comments**

We note that this modification does not make reference to the licence requirement arising from our CGR2 final proposals<sup>9</sup> for detailed reasons for the assessment against the Grid Code objectives to be included in the modification report. To ensure transparency and visibility of this requirement we would suggest that NGET considers including this either in the Grid Code General Conditions or in the modification process summary document.

### **Decision notice**

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal Grid Code GC0073: '*Code Governance Review (Phase 2) – Send Back process*' be made.

The Report recommends an implementation date for GC0073 of 10 business days after our decision. However, to ensure the efficient implementation of a number of Grid Code modifications we are approving,<sup>10</sup> and following discussion with NGET, we direct that GC0073 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

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<sup>9</sup> Electricity Transmission standard licence condition C14(2C)(b).

<sup>10</sup> We are making decisions to approve GC0033, GC0071 and GC0072 at the same time.