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for energy consumers

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Dear Rob

Authority decision to 'send back' Grid Code modification proposal 0086 (GC0086) 'Open Governance'

On 17 March 2016, National Grid Electricity Transmission (NGET) submitted a final Report to the Authority ('Final Report') on Grid Code modification proposal GC0086 'Open Governance' for a decision.

We have decided that we cannot form an opinion on GC0086 at this time, given the need for related licence changes. We are therefore sending the Final Report back to NGET. We direct that it is revised and resubmitted at a later date to address any potential interactions with licence changes which are the subject of ongoing consultation.

The proposal and our initial views

GC0086¹ seeks to modify the Grid Code to introduce Open Governance arrangements, including the ability for parties other than NGET to be able to raise modification proposals and the provision of self-governance and fast-track self-governance routes for Grid Code modification proposals. GC0086 also proposes changes to the membership of the Grid Code Review Panel (GCRP) and the election process for the GCRP. The proposal was raised as a Grid Code issue in July 2014 and has been through extensive industry workgroup assessment and consultation. It was recognised during industry assessment that changes to the relevant licence condition for the Grid Code² would be required before the proposal could be implemented.

On 31 March 2016, we published our Code Governance Review Phase 3 (CGR3) Final Proposals ('Final Proposals'). In our Final Proposals document³, we noted that GC0086 had been raised to introduce open governance processes to the Grid Code and that the use of

¹ Papers relating to GC0086 can be accessed through the National Grid website here:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Modifications/GC0086/>

² Standard Licence Condition (SLC) C14 (Grid Code) of the Electricity Transmission Licence available here:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

³ Paragraph 3.16 of the CGR3 Final Proposals available here:

https://www.ofgem.gov.uk/system/files/docs/2016/03/code_governance_review_phase_3_final_proposals_2.pdf

the modification process was the appropriate way to take forward such potential revisions to Grid Code governance.

Alongside our Final Proposals document, we published a consultation on proposed licence changes to reflect the outcomes of our Final Proposals.⁴ We also included in that consultation proposed licence changes related to GC0086.

Our consultation specifically asks respondents to consider whether the illustrative licence drafting for SLC C14 of the Electricity Transmission licence would also facilitate the implementation of GC0086 (if approved).

We welcome the industry's work to date to develop and assess proposed changes to the Grid Code governance arrangements. Whilst we have not yet made our decision on GC0086, the submission of the Final Report has provided helpful information to assist our consideration of the potential licence changes that may be needed to implement it (if approved).

We are sending back the Final Report in order that NGET (in consultation with the GC0086 workgroup and/or GCRP if appropriate) can keep the proposed Grid Code legal drafting under review as the proposed licence changes are progressed, to ensure that the two align. We consider that the report should then be resubmitted after our statutory consultation on licence changes is completed, and we have issued a notice directing any relevant licence changes, if appropriate.

Further work required

We therefore direct NGET to revise the GC0086 Final Report and re-submit it to us for consideration as soon as practicable after we have directed any relevant licence changes, if appropriate.

Yours sincerely

Lesley Nugent
Head of Industry Codes and Licensing

⁴ The consultation on our proposed licence changes for CGR3 closes on 28 April 2016 and is available here: https://www.ofgem.gov.uk/system/files/docs/2016/03/code_governance_review_phase_3_final_proposals_consultation_on_licence_modifications.pdf