

Meeting Note

Meeting name	GC0086: Grid Code Open Governance
Meeting number	4
Date of meeting	6 November 2014
Time	10:00 – 14:00
Location	National Grid House, Warwick.

Attendees

Name	Initials	Company
Alex Thomason	AT	Code Administrator (Chair)
Emma Radley	ER	Code Administrator (Technical Secretary)
Rob Wilson	RW	National Grid (Workgroup Member)
Guy Phillips	GP	E.ON (Workgroup Member)
Richard Lowe	RL	SHET (Workgroup Member)
Garth Graham (by teleconference)	GG	SSE (Workgroup Member)
Lisa Charlesworth (by teleconference)	LC	Ofgem
David Spillett	DS	ENA (Workgroup Member)
Richard Woodward	RW	National Grid (Observer)
Andrew Poppleton	AP	National Grid Lawyer

Apologies

Name		Company
Mike Kay	MK	ENWL (Workgroup Member)
Peter Bolitho	PB	Waters Wye (Workgroup Member)

In addition to this Meeting note, please refer to the slides for the meeting which have been published to the Grid Code Workgroup webpage:

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

1 Introductions and Meeting Objectives

1. Introductions were made around the group. Apologies from MK and PB were noted.
2. AT ran through the agenda for the meeting and highlighted the key areas for discussion. AT recapped what the group had discussed at the previous meeting.
3. The group looked at the minutes from meeting 3. RL noted concerns on TO balance at the proposed new structure for the GCRP, particularly regarding a vote. RL felt that National Grid as TO should have a vote. GG had made a comment regarding National Grid having two positions on the Panel, with one vote between them. GG gave the example of the CUSC Panel where National Grid had two positions on the Panel but only one vote between them. RW felt that it was an ideal area to develop through the consultation and that there could be more than one option. DS advised that the outcomes of GC0074 should be included in the consultation. ER noted that this could be included, noting that the discussions were not in the context of open governance. GG commented that if National Grid has a vote as TO, then presumably all the TSOs have a voting right. RL noted that the voting member should represent their group and added that DNOs will not necessarily have the same views as Transmission Licensees. RW noted the point about having a balance on the GCRP but observed that it is offset by Ofgem's role in its decision making. RL noted previous discussion on proposal to combine TO and OFTO vote, and that the OFTOs have a different perspective of the Transmission Network. GP felt that the logic could extend to other classes of Panel membership such as generators and the planned range in the RfG Network Code from Types A-D, as they will have different

perspectives. Where the generators are located may also bring a different opinion, but overall the Panel members are representing a class.

4. RL highlighted the debate in the previous meeting on the chairman having a casting vote, which should be of lesser importance than the actual balance in voting membership. GG responded that the issue on the casting vote was around the principle of it in relation to whether the Chairman is independent or not. It was noted that Ofgem would make the final decision on modifications, apart from Self-Governance. RW advised that he would expect Self-Governance to be more of a consensus from the Panel anyway. The key thing here is that the Authority opines on the basis of the evidence that has been submitted to them. They do not have to go with the Panel recommendation although they do take this into account. AT reminded the group that the Authority also has wider statutory duties which they have to take into account.

2 Changes introduced by CGR Phase 2

5. AT noted that this had been discussed briefly in previous meetings but wanted to clarify the provisions as they were on the Terms of Reference for the group to discuss. The group noted three provisions that CGR Phase 2 introduced. Firstly, 'Send-Back'. This provision has been used once in the Grid Code for GC0050: Demand Control. RW felt that the process worked well overall and seems to be a sensible process. GP advised that the letter from Ofgem in relation to GC0050 was helpful and set out their expectations. GP added that in the past it has come up in the Panel that there has been dialogue between Ofgem and National Grid which is not always transparent, so 'Send Back' is a useful and transparent process. The second element is the Code Administrator. GG felt that Open Governance would assist in ensuring the Grid Code complied with things in the Code Administration Code of Practice (CACOP). AT considered whether formalising the Code Administrator in the Grid Code at the time made much difference. GG referred to Principle 7, point 3 of the CACOP that refers to Alternative solutions under Proposer Ownership, which currently does not exist in the Grid Code. GP commented that the CACOP has helped with the gateway of parties to bring forward issues to the Panel and that we have started to see the introduction of the Code Administrator as 'critical friend' which creates a more formal and clearer gateway for bringing issues to the Panel. Currently, there is no method for critically reviewing issues before they go to the Panel. Finally, the third element from CGR Phase 2 was the introduction of 'Significant Code Review' (SCR) into the Grid Code. As only National Grid can raise modifications, the group felt that this has not had a big effect as National Grid would be unlikely to raise a modification if it interacted with a live SCR.
6. DS considered whether there might be anything in the minutes from the recent CACOP review meeting that would have a bearing on this discussion. LC responded that the process would be concluded by the end of the year, so there would be time to include within GC0086 if anything came up, but nothing springs to mind presently.
7. The group looked at the second point of the Terms of Reference regarding the CGR changes already made to the Grid Code and whether they address any of the defects highlighted in GC0086. GP felt that currently the Grid Code does not address the 'Proposer Ownership' issue and the lack of alternatives solutions being allowed. GG noted it also did not include independent Chairman, Consumer Advice membership or 'Fast track' / 'Self-Governance' / 'Urgent' modifications. The group agreed that the Grid Code does not currently address the fundamental defect in GC0086. GP considered whether you need open governance to have an effective SCR, if one is ever proposed and noted that the recent Balancing SCR Is a good example regarding alternatives.

3 Costing and Funding

8. AT advised that currently the conclusion is that there does not seem to be any big cost implications as a result of introducing open governance into the Grid Code. There is a cost associated with the recruitment process and ongoing cost of an Independent Chair. GG referred to his previous point regarding the costs of the Chair and that it may actually be neutral with regard to the ongoing costs as Table 4.1 of the Charging Statements indicates that the salary for the National Grid appointed Chair is similar to that of an independent Chair, and it could actually end up being cheaper. In respect of the cost of recruitment (of the GCRP Chair) GG also referred to his suggestion at a previous meeting of recruiting at the same time as the CUSC Panel Chair, which would result in the cost actually being neutral as National Grid is already incurring the cost (under the CUSC). RL questioned the expected costs for the other

forums suggested, particularly in terms of expected man days input from the industry. GG felt that in terms of the modifications, the number of future ones cannot be determined. If more modifications are put forward it may be an indication of the success of GC0086. There may possibly be a short-term cost but only because modifications were not raised before due to the lack of open governance. GG commented that the amount of work undertaken by the industry on modifications effectively becomes self-regulating as there is a finite resource amongst industry for developing mods. GP considered that in terms of the Grid Code Advisory Forum (GCAF), there may be an increase in numbers in comparison to the Panel. In terms of the Grid Code Issues Group (GCIG), GP advised that we have these now in terms of workshops so it may not be any different in the future in terms of resources. However the GCAF is important as it enables the discussions to still take place and is a way to channel potential future mods. AT observed that if you take an issue to a pre-modification group, it would then go to the Panel more worked up, and would then be able to give a more reliable timeline for a Workgroup. GP advised that the timescales are where the self-regulation by industry comes in. RL commented that there is an element here around workgroups lasting for a long time and you do not necessarily need open governance to fix this problem. RL expressed a view to make sure that we still get as effective technical input as we can and that we do not want to lose the opportunity to get the right people at the right time to enable these discussions to take place. GP agreed, but noted that open governance changes where this expertise needs to be. RL was concerned about a split of views going to the Panel, and GCAF, GCIG etc. GP noted that he can see more emphasis being on GCAF in the future for discussion. RL wondered whether this would duplicate efforts. GP advised that he understands the concern but advised that GCAF is the forum for the broad discussion(s) that is currently held in the Panel, and it is where parties would bring an issue to the table ahead of raising a modification (if appropriate). GCAF then have the choice to set up an issues group (e.g. GCIG-01) and that issues group can, where necessary, develop a worked up outline modification to the Panel. The outline modification would then, if deemed acceptable, be presented by the original stakeholder to the main Grid Code Review Panel. GG reminded the group that there are opportunities with Open Governance to respond during the modification stage to consultations, raise alternative requests etc. RW commented that we have a greater efficiency in that we can run these groups so that the work of the Panel becomes more streamlined. GP compared the current arrangements to the GC0086 proposed smaller Panel and having more efficient Workgroups. The GCRP meetings would become shorter as you are removing the discussion elements, noting that this is still one day out of people's time. GG suggested that if the meetings are just to decide on modifications rather than hold a full discussion, then based on the experience in the CUSC Panel a lot of members may dial in as there is not the requirement to have detailed discussions at the Panel itself.

9. The group considered the potential number of attendees for the new GCRP and GCAF in comparison to existing arrangements. Currently, the Panel has approximately 25 attendees, plus workshops and Workgroups. Under the proposed arrangements, there could be around 16 attendees at the Panel, nothing that some of these will often dial in, and around 20 for the GCAF. GP felt that the proposed issues group arrangement is no different to what we have now, but they are called workshops. In terms of timeframe the example of CMP213 was highlighted by GG in that there was significant discussion, technical analysis and modelling, of this very complex and contentious SCR proposal and yet this Modification; from being raised to being submitted to the Authority; was completed in a year. The group acknowledge that the changes discussed would ultimately result in greater efficiency in the Grid Code change process.
10. DS clarified the structure of the proposed additional groups. The group felt that the Workgroups would be where the efficiency savings are, as they are shorter because the defect would be clearer as the issue has gone through the GCAF and potentially an issues group. GG noted Principle 5 of the CACOP and that the GCAF deals with this. The issues group only meet if there is an issue to address. They will not change the Grid Code as they cannot raise a modification proposal so there will always be that 'check and balance' as the issues group does not have that power and the modification will always go through a formal Panel, rather than GCAF or issues group, process.
11. GP felt that the benefit of this is that if a party comes forward with an issue or draft modification, the Code Administrator could suggest taking it to GCAF to get industry feedback and refine the issue / clarify the defect. It is therefore a better quality product that goes to the Panel. GG noted that the GCAF could address an issue directly and not set up an issues group or suggest it go as a modification to the Panel. GP noted that under the current constitution rules, the

Panel has a role around interpretation and advising on an issue. This sort of debate would take place in GCAF in the new arrangements. The group then had a discussion around clarity of what goes to GCAF and an issues group and when a Workgroup is formed. GP noted that the GCAF may prioritise the list of issues so that only a few are focused on at first. It was noted that parties would still be able to raise modifications directly to the Panel without having to go through GCAF. GG advised that this is perfectly acceptable where the modification is clear and worked up, and there is probably no need to discuss beforehand.

12. The group noted the instances under the CUSC arrangements in which a modification can be rejected, such as it being the same as a modification that has gone through the process and has had a decision made in the last two months, and the pending rule, where the issue is already in hand. Also the Panel secretary could reject a modification if the correct information has not been provided, in which case they would advise the Proposer and they would re-submit their proposal. The ability for the modification to go to either a Workgroup or Consultation was discussed. RL felt that if a modification can go straight to consultation, you must have the appropriate input to that Panel to ensure that what is on the table is not an ill-founded proposal. AT noted that it is not the role of the Panel to decide, at the initial stage, if the modification has merits, that is for the consultation and at the end of the process in the decision making stage. The group acknowledged that a lot of the problems regarding clarity are around the difference between an issue and a modification.
13. RW reiterated his previous point that there is a difference between sunk costs and costs to incur. GG noted that whilst the current Chair's cost maybe already sunk, he can be freed up to go on to do other things and attend other meetings.

4 Potential Licence Changes

14. The group flagged up potential Transmission Licence changes, noting that it was not for them to discuss the detail. AT talked through current Transmission Licence Condition C14 (Grid Code) and advised that changing the role of the Panel would have a knock on effect in the Licence. AT advised that there may be a change in Paragraphs 2A and B around who's role it is to periodically review the Grid Code, as it could be changed by other parties if open governance is introduced. GG noted that the appropriate wording to introduce the Open Governance arrangements into the Transmission Licence already exists in Condition C10 for the CUSC so it could be copied, or at least used as a starting point when developing the necessary C14 changes. GG added that C10 also provides a model for the TCMF, so this could be adapted for the GCAF. This gives GCAF the weight that it needs as well as the assurance to stakeholders around the GCAF arrangements being enshrined in the Grid Code. GG felt that as long as the Transmission Licence changes achieves Open Governance in the Grid Code as set out in the CUSC, stakeholders will be indifferent as to what wording is used in the Licence; however he would be nervous if some aspects of Open Governance were not transposed into the Grid Code. LC advised that some Code Governance Review licence conditions for the codes are worded slightly differently, but they all broadly achieve the same thing, so it is just a case of choosing the appropriate wording. The group agreed that they were happy for the Code Administrator to look at the potential licence changes with Ofgem and feed back into the Workgroup.

5 Impacts on the STC

15. The group considered what, if any, impacts GC0086 may have on the STC. GG commented that the question is what happens to a Grid Code modification today with regards to the STC. It does not go to the STC committee or to the STC distribution list specifically, so there should be no difference in the context of Open Governance. RL believed that there is not a direct STC aspect to GC0086. AT noted that paragraph 8.20.3 of the CUSC contains a caveat regarding the STC, namely if it is believed that there may be an impact on the STC, the CUSC Panel has the ability to invite the STC committee to appoint a representative to become a member of the Workgroup. RL advised that he can see the validity of this being in the CUSC.
16. The group could not see any specific impacts of GC0086 on the STC at this stage, but noted that it may come up as part of the legal drafting.

6 Implementation Timescales

17. The group noted that the standard timescale to implement a Grid Code modification in terms of the code changes is 10 days after an Authority decision. RW noted Ofgem's 25 working day KPI for 90% of modifications submitted.
18. GG considered the options of waiting until all aspects of Open Governance as proposed in GC0086 are completed, or implementing some elements into the Grid Code sooner than others. For example, the Independent Chairman process may take several months, but other aspects could be implemented very swiftly.
19. GP reminded the group that at the previous meeting it was suggested implementing every element all in one go and based on the Transmission Licence changes, this could be ready for January 2016. GG suggested that National Grid and Ofgem could start preparing the Transmission Licence changes sooner rather than later. The statutory Transmission Licence change consultation phase could start when the modification is presented to the Panel, so the licence changes and code changes could be brought into effect at the same time. The Authority has authorised National Grid to undertake work prior to a modification being approved before (the TAR Mods under CUSC). GG advised that the issue that is time-sensitive is the GCRP election and Panel duration. Previous discussions concluded that an election would take place in the autumn of every other year for the Panel to take up its position on the following 1st January. Thus if the Authority approved GC0086 in mid 2015 it should be possible to hold a Panel election in the autumn of 2015 with the new Panel taking up its position in January 2016 for 24 months. However, if the Authority decision on GC0086 was 'late' the first Panel election might be later than autumn which would, pragmatically, suggest the time in office for the first elected Panel being less than 24 months (but Panels elected from autumn 2017 onwards would serve the full 24 months). In terms of other aspects of Open Governance, once the Transmission Licence changes have been approved by the Authority, 10 days implementation of the Grid Code changes is practical. AT asked LC for Ofgem's view on starting drafting the Transmission Licence changes early. LC responded that they would be happy to start looking at the changes with National Grid, however she is unsure of the extent to which they would want to overlap the licence change process with the GC0086 modification process. At the moment this proposal is being led entirely by industry so Ofgem would need to form a 'minded to' position to approve before they started any consultation on modifying the Transmission Licence. GG clarified the Transmission Licence change process, in that there are two consultations, the first being informal which would usually be 8 weeks, then the statutory consultation. LC added that Ofgem are not bound to go ahead with any licence changes after consultation but that they would not normally initiate an informal consultation unless they were minded to go ahead with it. LC offered to send over a high-level Transmission Licence change process timetable to the group to help plan the potential timescales.
20. GP asked if you need a transition or 'cut over' arrangement regarding modifications in process. The group considered the option of making it clear and having a date for cut over from the old 'status quo' structure to the new GC0086 arrangements. AT highlighted that Paragraph 8.27.8 in the CUSC talks about transition. GP felt that the new Panel would need to be clear on the scope of its capability. AT suggested compiling a list of what is in existence under the old arrangements. The group agreed that wording would be required for the proposed Grid Code legal text. It was summarised that there are two options; (i) after GC0086 is implemented, all new modifications raised after that date would go through the new arrangements and existing ones would carry on as before; or (ii) all modifications, existing and new, would be adapt to the new approach. The group agreed that the latter may be easier as it will be less confusing for the Panel. GG noted a concern with regard to existing modifications and Proposer Ownership, and by going with the first option it allows those modifications that are further down the line to continue under the current Grid Code change arrangements. GP felt that that approach is difficult to manage and it would be best to start afresh as existing modifications can adapt to the new arrangements introduced by GC0086. GP added that National Grid would have raised the existing modification(s) so would have Proposer Ownership in that sense, and the Workgroup looking at each existing modification would just need to be clear that alternatives can now be raised.
21. So, in conclusion the Workgroup agreed that existing modifications currently progressing through the Grid Code change process; at the time GC0086 were implemented; would adapt to the new approach and the Code Administrator can work out what existing modification(s) is affected, and work with the National Grid representatives in the Workgroups to explain the new

processes and make sure there is a specific item on the agenda to look at alternatives, should GC0086 be approved.

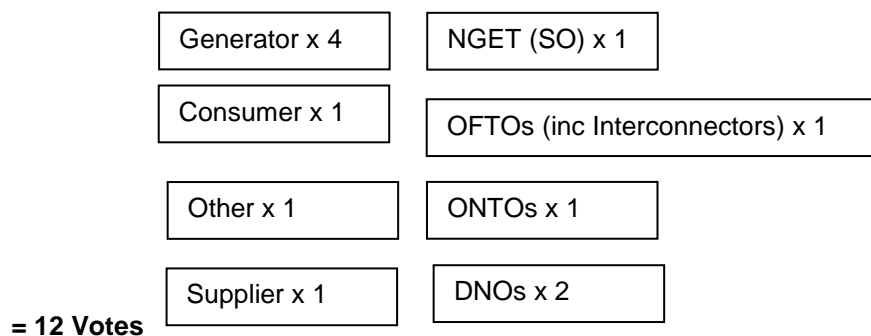
7 Legal Text

22. The Proposer ran through what the basis to the illustrative legal text in GC0086 was, namely that there is a very good 'starter for ten' in the current CUSC legal text, which implement the Open Governance arrangements proposed in GC0086. GG noted that this would ensure consistence governance and change processes across the two codes which was identified by the Authority as being a particular benefit for smaller parties. AP agreed that this is certainly a good starting point but work would need to be done to ensure that everything is covered and that the processes would work in the Grid Code in the context of the legal text.
23. AT suggested that some draft legal text is drawn up by the National Grid lawyer and the group can then review this. AP felt that the proposed legal text for the new arrangements would need to be in a standalone section of the Grid Code, rather than spread across the Constitution and Rules and the General Conditions of the code. AT noted that we can include a table of the existing Grid Code arrangements in terms of what was where and where it is going in the proposed new legal text in the Report (GP's previous suggestion). AP advised that his main concern is making sure that there is nothing else in the rest of the Grid Code that will interact with this proposal.

8 Potential Alternatives

24. The group thought about any potential Alternative options that they may wish to put forward in the Workgroup Consultation. GG suggested consulting on the options for minimalist Panel composition but also put forward the GC0074 option, and ask a question on which option is preferable, or if there is something in between that respondents would prefer. GP advised that GC0074 was not developed in the context of the Open Governance arrangements. GG felt that the GC0074 proposal demonstrates one end of the spectrum for the composition of the GCRP.
25. The group considered the role of National Grid in the proposed GC0086 Panel structure that was suggested previously. RW felt that National Grid should be able to represent both TO and SO and that the GCAF would give some comfort to this. GG commented that National Grid will be appointing two people to the GCRP in this new structure and it is up to them to decide where they are from (SO or TO). RL highlighted that it is about the vote, as in the new structure the two National Grid representatives on the Panel have one vote between them. RL felt that both the National Grid SO and TO functions should be represented separately on the Panel and have a vote each. RL felt that the SO needs a distinct voice on the Panel as they have a licence requirement to ensure the functionality of the transmission system. GG commented that that is why they have, with the GC0086 proposal, a distinct view set out in the final report for each modification that goes to the Authority.
26. The group considered an Alternative of having 2 votes for National Grid; one for the SO and one for the TO. RL asked about the OFTO role and it was felt by some that the Relevant Transmission Licensee category (which, it is proposed, has a single voting member on the Panel) covers both OFTOs and other TSOs such as Interconnectors and the two Scottish TOs. GP advised that Panel members are representing the category they are elected / appointed to, so they get input from their constituency as to which way they vote. RW commented that the key is to ensure balanced representation on the Panel.
27. GG suggested that you could give National Grid as SO the proposed single Panel vote, and that National Grid as TO, along with the other TSOs, could be elected (or appointed?) to the single, voting, Relevant Transmission Licensee position on the Panel. DS suggested an alternative would be to increase the number of voting Panel members for networks from four to five (National Grid SO x1, National Grid TO x1, other (non National Grid) Relevant Transmission Licensees x1 and DNOs x2) and then increasing the Generator voting Panel members from three to four (together with the single Supplier elected voting Panel member). DS noted that this approach would be thinking ahead to how it would work with the four generator bands; Types A-D; introduced by the RfG Network Code. RW suggested having OFTOs represented by a separate single voting Panel member.

28. AT summarised that the current GC0086 model equates to a total of ten voting Panel members overall. The potential alternative is to increase generator votes to four and give National Grid two specific votes (one each for the TO and SO functions), which totals twelve Panel votes. This would increase the size of the Panel by two voting members. RL commented that we are still trying to achieve balance for transmission input to GCRP. GP commented that he would rather keep the options limited at the moment as it is not possible to have formal alternatives under the present Grid Code change arrangements (hence the benefit of GC0086!) and the Workgroup would need to reach a consensus at the end of the process. GP advised that he was happy to go with the alternative twelve vote option as a baseline in order to compromise and limit the options. GG was also prepared to compromise and go with twelve votes but his instinct was to go with the ten vote option and put forward the twelve vote option and see what the consultation respondents think. GG also suggested putting GC0074 findings as an appendix in the consultation to note that it was developed under the old regime, rather than as an option.
29. RL suggested that National Grid as SO could have a single Panel voting member, the onshore TSOs; namely National Grid TO, SHE Transmission TO and Scottish Power TO; (shown as 'ONTOs' below) would have a single Panel voting member between them and the OFTOs and Interconnectors would, combined, have a single Panel voting member. Then 'other' have 1 vote. GG noted that the DNOs, combined, would appoint two voting Panel members. Suppliers would have a single, elected, voting Panel member. There would be a single voting Panel member position which would either be appointed to represent a group or groups of stakeholders not currently represented on the Panel (i) by the Authority or, if an independent Chairman was in position, (ii) by the Chairman or (iii) be left vacant. In addition, as with the CUSC and BSC, there would be a single voting Panel member representing consumers. Finally, there would be four elected Generator Panel members, each with a vote. RL preferred the option of having the twelve votes as the main proposal. GG expressed a concern that parties would then suggest in the consultation a higher number; however he was happy to go with the twelve vote option as the overall Workgroup view. GP noted a concern with the OFTO/Interconnector vote in that it may be a wasted vote as they may not have any business. RL noted that the same situation could occur with the Consumer rep and Supplier representative. The new proposed structure that the Workgroup agree on is as below:



9 Next Steps

30. It was agreed to cancel the next meeting and send out a draft consultation next week for comment and draft legal text in the meantime. LC noted that the meeting on 11th Dec clashes with the BSC Panel and it was suggested that this meeting may be cancelled nearer the time depending on progress in the meantime.