

Grid Code Workgroup Consultation Response Proforma

GC0086 Grid Code Open Governance

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **6 January 2014** to Grid.Code@nationalgrid.com. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

These responses will be considered by the Workgroup at their next meeting and will be included in the Final Report which is submitted to the Authority.

Respondent:	Garth Graham (garth.graham@sse.com)
Company Name:	SSE Generation Ltd
Do you support the proposed implementation approach?	<p>We note the indicative timeline set out in section 7 of the consultation document. Given that the necessary Transmission Licence wording already exists (in the CUSC part of the Transmission Licence) we hope that the June (2015) to December (2015) period for the Transmission Licence changes can be reduced significantly and that therefore the application of the GC0086 proposed changes can be applied as soon as possible in order to realise the considerable benefits (of Open Governance) at the earliest opportunity.</p>
Do you believe that GC0086 better facilitates the appropriate Grid Code objectives?	<p><i>For reference the applicable Grid Code objectives are:</i></p> <p><i>(i) to permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity;</i></p> <p>The Open Governance that GC0086 introduces into the Grid Code will help to facilitate the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity by ensuring that all parties bound by the Grid Code are treated equally and equitably in a fully open and transparent way.</p> <p><i>(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</i></p>

	<p><i>competition in the supply or generation of electricity);</i></p> <p>The Open Governance proposals set out in the GC0086 clearly, and demonstrably, 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) and this was most eloquently set out by the Authority when they introduced these changes; via their two Code Governance Reviews; into the BSC and CUSC. Now is the time to apply these highly beneficial changes to the Grid Code to bring this document into the 21st century and make it ‘fit for purpose’ in terms of governance.</p> <p><i>(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</i></p> <p>The Open Governance that GC0086 introduces will not distract, but rather enhance, the promotion of the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole.</p> <p><i>(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.</i></p> <p>GC0086 will ensure that GB 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 by ensure that all parties are treated equally and equitably in an fully open and transparent way.</p>
Specific Questions for GC0086:	
1. Do you consider the Grid Code should be subject to Open Governance as discussed in paragraphs 4.5-4.6?	<p>Absolutely yes – we do consider that the Grid Code should be subject to the Open Governance arrangements as set out initially in the GCRP pp14/40 proposal and detailed in GC0086.</p>

	<p>There are, in this day and age, simply no credible arguments as to why a single commercial company with a vest interest (who can often find themselves in a 'conflict of interest' situation) alone should be allowed to raise Grid Code amendments.</p> <p>Furthermore, we are certain that if the shoe was on the other foot that National Grid would themselves be (quite rightly) seeking this change.</p> <p>The Grid Code is a multilateral agreement – numerous parties are required (by law) to comply with the obligations set out in it. In similar situations in the GB electricity industry; namely the CUSC and BSC; it has been universally accepted for some considerable time that amendments to those similar multi party agreements can be proposed by all the relevant parties. The Grid Code will be enhanced by Open Governance.</p>
<p>2. Do you believe that the time that the typical Workgroup has to assess and develop a Proposal and report back to the Panel should be 4 or 6 months as discussed in paragraph 4.9?</p>	<p>We believe that a normal 4 month period, with the possibility of a further extension (if required, justified and subject to Ofgem approval after a Panel agreement) is the correct way to proceed.</p> <p>This is the approach adopted by other similar industry codes; such as the CUSC. Whilst this may lead to more frequent Workgroup meetings this does lead to the earlier introduction of a change which, it must be remembered, is only implemented because the case has been made that the proposed change does better meets the applicable objective and thus should be made. We should not be seeking to delay beneficial changes as this lead to 'windfall gains' for those who benefit from maintaining the status quo.</p> <p>We agree with the view set out in paragraph 4.9 that the Grid Code does have commercial implications for parties and that we would expect this to ensure that Workgroup participation is achieved.</p>
<p>3. Do you believe that the Authority should also be able to raise Modification Proposals where they consider it is necessary to comply with or implement the Regulations and/or any relevant legally</p>	<p>Yes. This right has already been introduced into other similar GB industry codes; such as the CUSC and BSC; and it is our understanding that the right for the Authority to raise Grid Code changes in respect of European law matters already exists today in EU and UK law.</p>

binding decisions of the European Commission?	
4. Of the four groups listed in paragraph 4.20, who do you believe should be able to raise a Grid Code Modification Proposal? Do you believe another group / type of party should also be able to raise a Grid Code Modification Proposal, and if so, why?	<p>In our view all four groups listed in paragraph 4.20 should be able to raise Grid Code Modification Proposals.</p> <p>We do not, at this stage, believe there is any other group(s) or type(s) of party that should be added to the four grouping already listed in paragraph 4.20 (1-4).</p>
5. Do you agree with the establishment of the Grid Code Advisory Forum (GCAF) as set out in paragraphs 4.28 – 4.35? If not, do you have a different approach and why?	<p>Yes, we agree with the establishment of the Grid Code Advisory Forum (GCAF). The GC0086 Workgroup has considered the issues (as set out in paragraphs 4.28-4.35) and we agree with their broad conclusion, namely that the benefits of establishing a GCAF would far outweigh any slight dis-benefits (if there are any).</p>
6. Do you agree with the proposed voting membership of the GCRP set out in Figure 5? If not, what other composition would you prefer (such as Figure 4 or the GC0074 conclusions), and why?	<p>We have read with interest the GC0086 Workgroup discussions on Panel voting as set out in paragraphs 4.36-4.51 (plus the GC0074 diagram in Annex 5).</p> <p>Having considered this matter in great detail we agree with the proposed voting membership of the GCRP as set out in the Workgroup report at figure 5; namely that there will be 12 voting members:-</p> <p>National Grid Electricity Transmission (SO) x 1 (Appointed) DNO x 2, (Appointed) Supplier x 1 (Elected) OFTOs and Interconnectors x 1 (Elected) ONTOs x 1 (Elected) Generator x 4 (Elected) Consumer x 1 (Appointed jointly by Citizens Advice and Citizens Advice Scotland) Other x 1 (Appointed by Chair or Authority).</p>
7. Do you agree with the proposed GCRP (i) nomination and (ii) voting / election process set out in paragraphs 4.52-4.57? If not, do you have a different approach, and why?	<p>Yes, we agree with the proposed GCRP nomination process.</p> <p>Yes, we agree with the proposed GCRP voting / election process. We note that it is modelled on that used in the CUSC and that this has been used for numerous CUSC Panel elections and has not been found wanting either by (i) voting parties or (ii) other stakeholders.</p> <p>We support the introduction into the Grid Code of a</p>

	Panel Recommendation Vote definition.
<p>8a Do you agree that an Independent Chair should be appointed to the GCRP as set out in paragraphs 4.60 - 4.65?</p> <p>8b How should a casting vote be dealt with for an Independent GCRP Chair?</p>	<p>[8a] Yes, we you agree that an Independent Chair should be appointed to the GCRP.</p> <p>The significant benefits of having an Independent Chair were set out most helpfully by the Authority when they determined that the CUSC Panel chair should no longer be appointed by National Grid alone (as currently still happens with the Grid Code). Those compelling reasons provided by the Authority apply also to the Grid Code.</p> <p>We agree that the ongoing day to day cost of a GCRP Independent Chair will, at worst, be equal to the cost of the current appointed person (who we believe costs the GB electricity industry, and thus consumers, in excess of £1k per day) and could, at best, be less than the existing cost(s).</p> <p>We accept that in theory the cost of appointment would be greater than at present. However, as has been noted by the GC0086 Workgroup there are ways that this cost can be partially (or indeed fully) mitigated by aligning / sharing the GCRP Independent Chair appointment with the appointment of the CUSC Independent Chair.</p> <p>[8b] We have tended historically to support the Chairs' casting vote always being cast for the status quo on the basis that if the Panel is split 50:50 that the case for change has not been made.</p>
<p>9. Do you think there should be a phased or separate approach to introducing Self-Governance and Fast-Track as set out in paragraph 4.69?</p>	<p>As was shown by the introduction of the similar Open Governance changes into the CUSC and BSC, the GB electricity industry is mature enough to cope with a one off change (rather than a phased introduction).</p> <p>This is a simpler and clearer approach to implementation (than a phased introduction) that all the relevant parties; namely GCRP members, Grid Code parties, Code Administrator and the Authority; can fully understand and appreciate.</p> <p>We concur with the comments from the Code Administrator (in paragraph 4.69) that in practical terms the Panel is likely to utilise the Self-Governance and Fast-Track sparingly to begin with until they become more familiar / comfortable with</p>

	<p>the approach – which is what also happened when these powers were introduced into the BSC and CUSC.</p>
<p>10. Do you agree that the cost of Open Governance is likely to be broadly neutral as set out in paragraphs 4.73-4.77? If not, what do you believe the impact will be on costs, and why?</p>	<p>Yes, we agree that the cost of Open Governance is likely to be broadly neutral as set out in paragraphs 4.73-4.77.</p> <p>We agree with the Workgroup conclusion that there does not seem to be any big cost implications that arise from the introduction of Open Governance. This has been most clearly evidenced by considering both the CUSC and BSC. We are not aware of any big costs that arose when Open Governance was applied to those codes and we have no reason to believe that the Grid Code will be any different.</p> <p>We note the concern expressed (in paragraph 4.75) that introducing Open Governance might lead to greater industry involvement in the process. If this were to occur (and we are not certain at this stage that it will or won't happen) then this would be a positive benefit as it would mean a higher level of stakeholder engagement in the process of changing the Grid Code.</p> <p>Notwithstanding our comments above, even if there were to be a cost arising from Open Governance this cost would be far outweighed by the substantial benefits that arise from the introduction and application of Open Governance to the Grid Code going forward.</p>
<p>11. Do you agree that there should be a specific NGET SO view set out in each Modification Report?</p>	<p>Yes, we agree that there should be a specific GBSO view set out in each Modification Report.</p> <p>In coming to this view we have considered the points set out in paragraphs 4.81-4.82.</p> <p>The GBSO has an important role in providing the GCRP, the Authority and stakeholders with a view on each and every Grid Code Modification Proposal as this view is an important one that those other parties need to take into account.</p> <p>We see no downside arising from the provision of the GBSO view.</p> <p>However, we do see a considerable downside if</p>

	<p>this GBSO view is not provided as it could give rise to situations where the view has not been provided and a detrimental effect / impact from the implemented (or none implemented) change arises.</p>
<p>12. Do you agree with the approach to legal text proposed in paragraphs 4.85 – 4.89? If not, do you have a different approach, and why?</p>	<p>We agree that the legal text should be based on that which appears in the CUSC as this ensures consistence governance and change processes across the CUSC and Grid Code which was identified by the Authority as being a particular benefit for smaller parties.</p> <p>We agree that the legal text for the new arrangements 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.</p> <p>We agree that the Grid Code Constitution and Rules should be deleted as the content may be addressed through the Open Governance changes to the Grid Code.</p>
<p>13. Do you agree with the implementation approach set out in paragraphs 4.93-4.95? In particular do you agree that existing modifications currently progressing through the Grid Code change process, at the time that GC0086 may be implemented, would adapt to the new approach? If not do you have a different approach to implementation and fi so, why?</p>	<p>We note the deliberations in paragraph 4.93 as regards the preparatory works associated with the Transmission Licence changes needed to introduce Open Governance into the Grid Code.</p> <p>Whilst we appreciate the desire to avoid nugatory work, we equally appreciate that the wording (to introduce Open Governance) already exists and, indeed, has already been agreed by the Licensee and the Authority in terms of C10 of the Transmission Licence (for the CUSC) which can be copied over and applied to C14 of the Transmission Licence (for the Grid Code).</p> <p>Given this we believe that this necessary aspect of the GC0086 change can (and should) proceed with the utmost alacrity.</p> <p>In terms of how to deal with existing modifications currently progressing through the Grid Code change process, at the time that GC0086 may be implemented, we agree that they should adapt to the new approach.</p>
<p>Do you have any additional</p>	<p>We have no additional comments at this time.</p>

comments?	
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