

Meeting Note

Meeting name	GC0086: Grid Code Open Governance
Meeting number	3
Date of meeting	14 October 2014
Time	10:00 – 15:00
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)
Peter Bolitho	PB	Waters Wye (Workgroup Member)
Garth Graham	GG	SSE (Workgroup Member)
Lisa Charlesworth	LC	Ofgem
David Spillett	DS	ENA (Workgroup Member)

Apologies

Name	Initials	Company
Mike Kay	MK	ENWL (Workgroup Member)
Richard Lowe	RL	SHET (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/Apologies for Absence

1. Introductions were made around the group. Apologies from MK and RL were noted.

2 Meeting Objectives

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 and the key points that had been agreed.
3. GG noted that he had sent an email to the group regarding Panel membership with a suggestion that a Panel Member from the STC sits on the GCRP, with a clear understanding that the STC will appoint to that position one of the Scottish TOs. This would perhaps resolve the issue with having only one TO (NGET) Representative on the Panel as National Grid would have two positions on the Panel (but only one vote between them) and could appoint someone from the TO and / or SO to those two positions.

Action: Ask for views in the Consultation on the proposed Panel Membership.

4. GP commented that a representative is there representing a class, e.g. TOs, so should be getting feedback from their constituency. PB noted a preference for keeping membership to a minimum and that it should reflect the models we have in other Code Panels. Also, it is not practical to have a representative for every party. GP felt that we need to clearly articulate the benefits of the advisory forum suggested and also the operational forum that currently exists, in order to promote the other opportunities where the industry can engage with respect to the Grid Code. PB noted that the potential Advisory Group has to be seen as an important group.

5. The group talked through the comments received on the minutes. RW talked through a comment he made on the potential scope for a Grid Code Issues Group (GCIG) and/or a Grid Code Advisory Group (GCAF) and GP thought about examples of what could be discussed in such a forum. GP saw the GCIG being an adhoc group to discuss specific issues, whereas GCAF would be a regular standing group with a core membership. GG talked about the BSC approach for establishing issues groups which was as and when they are required to address an issue raised by a BSC Party, the (BSC) Panel, Ofgem or other stakeholders. AT felt that instead of having workshops as currently happens under the Grid Code, an issues group would be set up. The group considered the possibility of increasing the GCRP meeting(s) to monthly but agreed that the workload would not warrant increasing the frequency, but noted that teleconferences or extraordinary meetings could be held if required.
6. DS considered how these additional groups would work in practice and what the issues group would deal with specifically. AT advised that if a party had an idea or concern (but not a worked up modification proposal), then it would go to the GCAF for discussion and development. It could then also go to an Issues Group if specific development was required before going to the Panel. AT added that a fully worked up modification proposal would go to the GCRP for a decision on how to progress. GP raised the example of the Two Shift Limits issue and that originally the issue was sent to the Electricity Balancing System Group (EBSG) for development. In the proposed new world, there would be options of either (i) raising the worked up modification proposal, or (ii) on advice and support from the Code Administrator, taking it to GCAF, who then may agree that it needs to go to an issues group. GG advised that he is comfortable with the GCAF setting up its own issues groups rather than it going to the GCRP. The GCRP may, if required, then have a short teleconference in the morning of the GCAF in order to progress modification business. In this scenario the Panel would be considering, for example, matters of a more administrative nature such as had a Workgroup completed its terms of reference and thus their report (on the modification) could go out for wider consultation. In other words these short panel meetings were not envisaged to be addressing, for example, votes on modifications etc. The group felt that it would be beneficial for the GCAF Chair to attend the GCRP in order to provide an update and to link the two groups.
7. GP noted that setting up other meetings might question the benefit of reducing the Panel, but the benefit is around efficiency. It helps to crystallise the defect and targets the discussion / issue. LC noted that there is a requirement to have a pre-modification group under the CACOP. AT commented that it may also result in a quicker process as a better quality modification would be raised if the idea / concern had been raised as an issue (and considered by an issues group). GG also noted the advantage of being able to air views in an open manner and allow parties / experts to provide advice and support to the party raising the issue. RW had a concern about GCAF absolving the need for parties to attend Workgroups but the group noted that a modification would need to be raised in order for a Workgroup to be formed. LC felt that as long as you have defined what the group is for, then there should not be a problem and it should be relatively easy to define. GG felt that it also offered comfort to smaller parties, that there is consistency in the codes and that the same process can be followed under each code with regard to a pre-modifications process.
8. The group went back to looking at the minutes from meeting 2 and considered RW's comment regarding the Chair's casting vote, and whether retaining the status quo means that there is not a defect, or that a preferred solution has not been made. PB reiterated his previous example of how the UNC works in this respect. GG suggested that if the Chair feels that the case has not been made for a change, the onus is then on the technical members of the Panel to discuss the technical aspects of why. However, the report would still go to the Authority for them to make a decision.
9. A comment on the minutes regarding costing/resources for attendance at the proposed GCAF / GCIG was discussed and it was noted that although there has not been any specific calculations on workload / resources, it should be cost neutral as the membership and workload of the GCRP should reduce, and issues progressed through the other forums will increase efficiency. AT also noted that workshops that are held currently would be held via the GCAF and/or GCIG, and GP added that Workgroups would increase their efficiency in this new world.
10. The group addressed a concern that had been raised at the previous meeting regarding small parties being left out and it was noted that a comment had been received regarding small parties having a say in who represents them. GG highlighted the definition of what is deemed a

small party and noted that, under the proposed RfG definition, this would include 800w; i.e. domestic level; generator parties who GG noted would be represented by the consumer representative on the Panel. PB felt that the extra position on the Panel that could be appointed by the Panel Chair or the Authority allowed for very small parties to be represented. PB had a concern about hardcoding the position as small, medium large etc. and having constituencies. GP agreed and noted that a Panel Member is there to represent a class. DS thought a representative from trade organisations such as Renewable UK would be a good representative on the Panel as they cover a large number of parties. DS felt that this would alleviate some of the problems. AT advised that the Code Administrator had discussed this issue with a member from Renewable UK and that they have already fed through nominations for Workgroups, so there is already some engagement. ER added that they have expressed an interest in attending the proposed GCAF.

11. DS raised a point from the previous meeting that it would not be the ENA that appoint the DNO's, instead it would be the Industry Technical Codes Group as it covers the Network Operators. The Industry Technical Codes Group is constituted under the Distribution Licence to look after the common Distribution Code issues and which currently employs the ENA as its service provider. Therefore, it was felt appropriate for this group to determine the DNO representation on the Panel.

Action – Update and publish Meeting 2 minutes.

12. The group briefly recapped on the conclusions at the last meeting on membership and GG noted that the group agreed that the GCAF Chair should be included in the membership of the Panel as a non-voting member. This would then be the core membership for the GCRP and other potential representatives can be discussed at a later date following views received in the consultation.

3 Terms of Reference update

13. AT noted the list of items on the Terms of Reference and talked through what the Workgroup had covered so far and what is still left to discuss. RW mentioned a document that he had written depicting historical Grid Code Modifications that may have worked better under open governance. PB highlighted the benefit of Proposer Ownership under one of the examples. GP felt that this document is helpful and noted that with the Power Available Workgroup, it was not entirely clear at the outset what the defect was. The defect point is important to the benefits that open governance brings as it brings efficiency to the overall process. GP felt that the Frequency Response Modification could also be added to this list as this was another example of where the defect was not entirely clear. It possibly should have been withdrawn, or the defect more defined, instead the scope on the Terms of Reference kept expanding and it became a very complex and difficult Workgroup. GP also noted that resources changed during the process which made it very difficult so there were continuity issues in addition to the other problems.

Action: Include 'contentious mods' table in consultation.

14. RW noted that National Grid as TSO makes their recommendation in the Final Report sent to the Authority. PB felt that under this regime, it is not necessary to have this view explicitly set out as the Authority has to make a decision on the proposal based on all the views in the report, not just the views set out in the executive summary of the report. GG added that there are multiple channels for parties to provide views. PB felt that whilst there is not a need for the SO to give a separate view, he is relatively indifferent as to whether they do or not. LC commented that National Grid has a licence obligation to operation an efficient system so therefore it is reasonable for them to have a view in the report, however, it could be considered whether that needs its own section or not. GG agreed with this. The group were generally indifferent to where the view is set out in the report. AT advised that National Grid provide a view upfront in the Final Report for any CUSC Modification. RW advised that a view is provided currently for Grid Code Modifications and he would like to continue this in recognition that the technical content of the Grid Code, and the particular licence responsibilities of the SO/TOs to the transmission network make it important that their view is brought out in the Final Report.
15. AT highlighted the points in the Terms of Reference regarding the changes that the Code Governance Review (CGR) Phase 2 had made in relation to the Grid Code. GG felt that the

defect in GC0086 still existed following the changes introduced by the CGR. The group agreed to have this as a separate agenda item at the next meeting.

4 Self-Governance and Fast Track Self-Governance

16. ER talked through the straw man proposals on Self-Governance and Fast-Track Self-Governance. ER noted that there are many routes to change a proposal being Self-Governance throughout the process and talked through how it has worked under the CUSC since it was introduced. ER advised that once it is agreed for a modification to progress through the Self-Governance route, a Self-Governance Statement is sent to the Authority. GG added that the Authority can withdraw their decision on Self-Governance at a later stage if they wish, meaning that the modification reverts to being a normal modification which the Authority, rather than the Panel, then decides on. ER advised that at the end of the process, the Panel make a determination on whether the Self-Governance modification should be implemented or not and a 15 day appeal window then commences to allow parties to appeal against the decision if they wish. AT noted that there have been cases in the CUSC where the Panel felt that a proposal should have been Self-Governance, but were prevented by the criteria set by the Authority. However, in those instances the Authority agreed that the Self-Governance route could be followed and a precedent has now been set and the CUSC Panel is now more comfortable making decisions to progress proposals under Self-Governance despite it not being clear under the criteria. AT added proposals can go in and out of the Self-Governance process as it depends on discussions in the Workgroup and views from consultation respondents. GG noted that modifications such as this should be relatively non-contentious as they do not have a material effect.
17. DS noted that at the Code Administration Code of Practice (CACOP) review meeting held recently, Principle 10 (Modifications will be consulted upon and easily accessible to users, who will be given reasonable time to respond) was discussed and it was felt that consultations are not always required. DS advised that the review group had agreed to change this to allow minor changes to be progressed without having to consult. PB noted that whilst some changes are seen as minor on paper, they may in fact have a material effect, such as changing a positive to a negative in a calculation, even though it was incorrect in the first place. PB added that it is a more efficient process for the industry to effectively be able to make decisions on straightforward issues.
18. LC commented whether the group believe that implementing Self-Governance and Fast-Track Self-Governance in one go or doing a phased approach would be better to allow the Panel to embed some of the new processes before implementing this particular aspect. PB asked if this would be phased or separate, LC responded that it could be both but probably separate. GG felt that the new Panel should operate under the new rules from day one and he can see the merit in having everything introduced in one go rather than on a staggered basis. ER commented that the Panel may not utilise their Self-Governance powers for the first few modifications anyway whilst they get used to the new ways of working, so they have comfort that the Authority will make a decision. GG agreed, but noted that whilst the default would be to go through the standard process, at least Self-Governance and Fast-Track would be in place so that they could start getting familiar with it, with advice and support from the Code Administrator. PB felt this element is contingent on the whole open governance change. GG commented that there are two tests for Self-Governance and Fast-Track – materiality and housekeeping. PB felt that there is not a need to progress this separately, as most have a phased implementation, but given that the Panel constitution is changing, it is simpler to start with a clean sheet. RW agreed that it is simpler and clearer and there may be a learning curve but it can be done. The group agreed that Self-Governance and Fast-Track should be introduced along with open governance at the same time. AT added that the Code Administrator would play a role in this learning curve to support the Panel.

Action: Ask a consultation question regarding having a phased / separate approach to introducing Self-Governance and Fast-Track.

19. The group considered the legal text for implementing Self-Governance and Fast-Track and agreed that it would be pragmatic to do a 'lift and shift' from the CUSC

6 Urgency Process

20. ER talked through the straw man proposal for the Urgent Modification Process, noting that all timescales in the standard process can be reduced, pending agreement from the Panel and ultimately from the Authority to proceed through this route. ER noted the criteria that the urgency process is measured against, adding that the criteria is not exhaustive.
21. GG advised that the first check is that the modification proposal is linked to an imminent date related event, and the other criteria then follows on from that as the second check, as illustrated in an open letter from Ofgem on 25 May 2011¹. PB felt that the wording 'reasonably foreseen' is very important in the context of the criterion regarding compliance with an imminent legal requirement which could not have reasonably been foreseen by the Proposer. GG believed that it would be simplistic and pragmatic to use the CUSC legal text to include the urgency process in the Grid Code as it is relatively high level and does not make it too restrictive.
22. GG felt that whilst this process is not used often in either the BSC or CUSC, it may become more applicable with the European Network Codes, as mistakes / omissions may be made that need rectifying urgently given the likely volume of Grid Code (and other codes') changes envisaged in the next 2-3 years. GG felt that urgency is an existing process that gives the ability to implement changes quickly, notwithstanding the checks and balances that underpin the process. PB had a concern around the lack of any safeguards in the process. GG responded that the safeguard is with the Authority as they have the final decision on whether urgency status should be granted or not, and if so, the timetable to which the modification proposal should follow.

7 Independent Chair

23. ER ran through the straw man on the introduction of an Independent Chair and how this could be implemented, and what the pros and cons potentially are.
24. GG felt that an independent chairman would be beneficial and that it could potentially be the same person for both the CUSC Panel and the GCRP in the future. GG advised that there may be a process in the CUSC at some point of recruiting a new Chair, so it could be that the GCRP chair is recruited at the same time. AT highlighted that there is a cost involved in appointing an Independent Chair and for the CUSC it was a 6 month process. AT asked how it was done for the BSC. PB advised that there was a sub-group set up from the Panel with guidance from head hunters and an advert was sent out to seek potential candidates. These were then shortlisted, interviewed, and the subgroup came to a view as to who should be recruited. PB observed that the BSC Panel Chair is a more substantial role as they are also the chairperson on ELEXON Ltd, so it is a 2.5 day a week job. GG felt that a GCRP independent Chair will be cost neutral to National Grid as it would free up the current GCRP Chair to do his day job, noting that the recruitment cost is separate. RW argued that it is a sunk cost as National Grid is already paying the current Chair. PB noted that there are efficiency savings elsewhere as the current Chair will be able to potentially chair / attend other meetings. AT asked whether the GCAF Chair would be independent. GG felt that the GCAF is advisory in nature which infers that it is preferable to have someone with a technical background, whereas for the Chair of the GCRP, whilst some background knowledge is useful, technical expertise is not a requirement.
25. AT noted a concern with the recruitment process as Code Administrator. GG advised that doing it once for both the CUSC Panel and GCRP would make it easier and cost efficient. PB felt that head hunters need to advertise as well as use their contacts to make it a fair and balanced process. PB highlighted that there are other ways to recruit, such as Trade Associations, Trade Press and online advertisements, rather than using head hunters. GG noted he was one of the four representatives on the sub-committee for the recruitment of the first CUSC Panel independent Chair along with AT and that the process described by PB for the appointment of the BSC Panel Chair appeared similar, in principle, to that followed in the CUSC. The group agreed that as long as you have a reasonable and open-minded representation for the appointment sub-committee then, the process should be fair and transparent.

¹ <https://www.ofgem.gov.uk/ofgem-publications/61725/code-modification-urgency-criteria-final-decision.pdf>

26. The group moved on to looking at voting rights for the Chair. LC felt that an Independent Chair should not be constrained and that it is right for them to have a casting vote so that they can make an informed decision based on the evidence put forward in the report. They would have the choice to stay with the status quo. PB commented that if you did not want them to have a choice, then you can make them retain the status quo if the case hasn't been made. GP felt that if the Chair has the right to make a casting vote, then the individual must be suitably qualified.

Action: Ask a consultation question on how a casting vote should be dealt with for the GCRP Chair (UNC approach or BSC approach).

27. The group considered the position of the Deputy GCRP Chair. The group talked about the instances where a Deputy Chair would be required, i.e. notice in advance (such as planned holiday or hospital stay) or an emergency / last minute absence (such as being stuck in traffic or on a delayed train). The group considered that if the absence was a last minute situation, somebody in the Panel could be appointed to step in and chair the meeting. If the absence was planned in advance, a National Grid senior manager could hold the position, as currently happens in the CUSC. GG noted that in the GCRP there are a lot of non-voting members, so the non-voting members could pick up the position of Chair so that the other voting members could vote, if there is a vote at that meeting. The group agreed that this would be pragmatic.
28. The group felt that the salary for the independent GCRP Chair should be the same as the current CUSC Panel Chair. The Code Administrator costs were highlighted and GG felt that there would be no overall increase in such costs were open governance to be introduced (not withstanding recruitment costs for an independent Chair, although these could be shared with the CUSC appointment). GP suggested that costs may actually decrease if it results in efficiency in the Grid Code. GG felt that it is either neutral in terms of the overall impact, or there is a slightly reduced impact as you no longer have to follow two process, there is just one consistent process, and the efficiency will particularly increase if Workgroups do not last as long because of the processes in place before a modification reaches this stage.
29. AT moved on to looking at the pros and cons of an independent Chair for the GCRP. GP noted that there could be an investor confidence point, in that where you get changes to the Grid Code; it can have implications on the contracts users have entered in to. An independent Chair may provide more confidence and viability/credibility in the change process. AT asked if there are any examples of where having an independent Chair would have been a clear benefit. GG observed that parties may have more certainty that a proposal is progressed on its merits and it may give them comfort that an Independent Chair is in place instead of a National Grid Chair, who may take into account other considerations. GP agreed that irrespective of whether they are acting in the vices of their chair role, there may still be the perception that a National Grid employee is making a decision. GG added that this may be a perception and not something that he is aware has happened in the past. GG noted that the benefits of an independent Chair were set out by the Authority when it introduced a similar change to the CUSC. GG also noted that the CUSC Panel Chair asked questions of the Authority at a recent CUSC Panel, and whilst this was appropriate, it may come under scrutiny if this was a National Grid Chair as it would effectively be a commercial company asking these questions, which may not be appropriate. PB also commented that it is important in the widest context that checks and balances are there; so that the process can be run as it should be and gave the example of what had happened with the Transmission Access Review proposals where the CUSC Panel Chair was put in a difficult position. PB advised that this would not have happened if they were independent. GG felt that a disadvantage would be technical expertise, although there is nothing to say that an independent Chair cannot be technically competent, and it is also not guaranteed that a National Grid Chair would have technical competence. RW noted that whilst you may lose technical and historical experience, there are people within the Panel that you can call on for these gaps.

7 Next Steps

30. The next meeting is scheduled for 6 November 2014. AT looked at what the group had left on the Terms of Reference to discuss, namely the changes introduced by the CGR Phase 2, costing and funding, potential licence changes, legal text, impacts on the STC and implementation timescales. With regard to the cost and funding, it was noted that any cost

benefit analysis needs to be qualitative rather than quantitative. LC observed that the Authority would examine figures if provided, but as long as it is clearly set out what the views are (i.e. that it is cost neutral), then the Authority would take that into consideration. AT advised that the report would clearly articulate the views on this matter.

31. GP observed that in the context of legal text, we need to look at the current Grid Code Constitution and Rules, particularly looking at responsibilities for Panel members and how this would be divided up between the Panel, GCAF etc. GG agreed and added that it needs to be clear what the GCAF's remit is. So it may be that the Constitution and Rules will be deleted as they are either addressed through open governance or allocated to the GCAF. AT added that there are also requirements in the General Conditions that will need to be looked at. GP suggested including a table as an appendix in consultation document to show what responsibilities could go to each area.
32. ER ran through the timetable for the rest of the process and the group agreed that the Workgroup Consultation could be sent out towards the end of November. ER noted that the Final Report could potentially be ready to send to the Authority around April 2015.