

**National Grid Company plc
Grid Code Review Panel
21st November 2002**

Ofgem's "Governance of electrical standards "Final proposals." "

Possible next steps

Introduction

1. On the 10th October 2002, Ofgem published their "Governance of electrical standards" "Final Proposals" document. This invited the England and Wales Grid Code Review Panel, the Scottish Grid Code Review Panel and the Distribution Code Review Panel to develop revised governance arrangements that conform to the requirements of Ofgem's key framework proposals.
2. This paper outlines for consideration possible procedural next steps that the England and Wales Grid Code Review Panel (GCRP) might like to consider taking, and is intended to form the basis for discussion at the next GCRP meeting on the 21st November. The paper also outlines National Grid's initial assessment of the extent to which existing Grid Code governance arrangements are compatible with Ofgem's framework proposals.

Background

3. Ofgem have proposed that revised governance arrangements should be implemented by Q2 2003, and will be reviewed by Ofgem in Q3 2003.

Possible Procedural Next Steps

4. As well as the England and Wales Grid Code Review Panel, Ofgem have also invited the Distribution Code Review Panel and Scottish Grid Code Review Panel to develop governance arrangements in relation to their codes that are consistent with the "Final proposals" framework objectives.
5. However, it is clear that this does not mean that the three panels will need to develop identical arrangements in order to satisfy the framework objectives. Indeed such a uniform approach might well be inappropriate given for example that Ofgem had indicated during their consultation that there was less concern about governance of the Grid Code than there was about governance of the Distribution Code.
6. In the context of the England and Wales Grid Code Review Panel, one possible option might be to establish a Working Group to consider the implications of the Ofgem governance of electrical standards report further.

National Grid Substantive Initial view

7. Beyond outlining a possible procedural way forward, we thought it might be helpful to take this opportunity to share with the GCRP our initial assessment of the compatibility of existing arrangements with Ofgem's proposed framework points. We believe that in many areas existing Grid Code governance arrangements are either compatible with the framework document or would not involve fundamental work to make them so.

<u>Ofgem Key Framework Point</u>	<u>Comment</u>
1. "The remit of the code review panels shall cover any technical specifications, engineering recommendations and any other technical documents that directly affect network users."	The exact scope of this will require further definition.
2. "The code review panels shall be empowered to discuss commercial considerations insofar as they interact with technical standards."	This is consistent with existing arrangements.
3. "The code review panels shall be the only vehicles for initiating work to introduce new standards or to amend existing standards that directly affect network users."	This is broadly consistent with existing arrangements, although needs to be explored further.
4. "The code review panels shall adopt and publicise formal document publishing and revision procedures."	In practice existing Grid Code arrangements are broadly consistent with this.
5. "The code review panels shall adopt and publicise formal consultation procedures setting out as a minimum, criteria for deciding who to consult and time-scales for the completion of work."	The extent to which existing consultation procedures might need to be amended should be further explored.
6. "The code review panels shall provide a high degree of visibility and transparency for the consultation process by use of internet and e-mail during consultation. Publication of final standards on an open access internet site should be considered."	Existing Grid Code arrangements are consistent with this.
7. "Governance arrangements and membership of the panels shall be reviewed periodically."	How this objective can best be achieved needs to be further explored.
8. "Consumer representatives and representatives of other users shall be invited to sit on the panels."	At present Grid Code General Conditions do not make provision for appointment of a Consumer representative/ representatives of other users. However, the CUSC allows for appointment of a person by GECC (Energy Watch) representing all categories of consumers (8.2.1.2 and 8.3.2(b) This provision could be replicated if appropriate.
9. "The relationship with service providers that perform drafting, publishing or other services shall be formalised by means of service provider agreements."	We think this clause has been drafted wholly with the distribution code in mind and is not of relevance in the context of the Grid Code.
10. "The panels shall publish an annual report of their activities including work plans for the next period."	At present an annual Grid Code report is not published – however, this could be considered further.

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