Grid Code and Distribution Code Review Panels

Technical Requirements for Licence-Exempt Embedded Medium Power Stations

By
DNOs & National Grid

Background

1. The Department of Trade and Industry (DTI) have raised the limit for medium size power stations (i.e. power stations in the range 50MW to less than 100MW) to be exempt from having a generation licence. Whereas small power stations (less than 50MW) are automatically exempt, Generators planning the installation and operation of a medium power station can now apply to the DTI for an individual licence exemption.

2. Licence-exempt Generators are not required to comply with the Grid Code and hence would not be bound by the Grid Code technical requirements that apply to such medium power stations. In addition, licence-exempt Generators are not compelled to sign the Connection and Use of System Code (CUSC) or the Balancing and Settlement Code (BSC), although they can choose to accede to both these Codes. If a licence-exempt generating station is embedded, then National Grid might not have any contractual relationship with that Generator.

3. In addition to large power stations (100MW and above), the Grid Code includes technical requirements for all directly-connected and embedded medium power stations and these requirements need to be maintained in order to ensure the continued development and operation of a stable and secure transmission system. The current and potential future growth in licence-exempt embedded medium power stations make it important that such stations continue to have these technical capabilities during their lifetime.

4. However, there is no longer a contractual or other mechanism that allows National Grid to apply, and require compliance with, the existing or developing Grid Code technical requirements on licence-exempt embedded medium power stations.

Issues for National Grid

5. For the past two years, National Grid has had discussions with the DTI on the need for licence-exempt embedded medium power stations to continue to be required to meet a minimum set of the Grid Code technical performance requirements. This is to ensure that the security and stability needs of the transmission system are not adversely affected.

6. At a meeting held on 6th February 2003 at the DTI and attended by various industry representatives, it was decided that prior to granting the individual licence exemption order, the DTI would require, as a short-term measure, the Generator to enter into a special bilateral agreement with NGC which includes those minimum technical requirements.

7. At a meeting on 10th April 2003 with the DTI and Ofgem, and attended by NGC and the DNOs, Ofgem and NGC expressed the view that the special bilateral agreement route was only a short-term measure and was not seen as an appropriate long-term solution. It is also understood that this view is held by the Generators.

8. There is, therefore, a need to establish a transparent and binding long-term solution acceptable to the parties concerned and which allows the relevant existing and developing Grid Code technical requirements for licence-exempt embedded medium power stations to be applied, enforced and complied with during the lifetime of the station.

Issues for Distribution Network Operators

9. DNOs are concerned that some of NGC's Grid Code requirements are for the purpose of NGC discharging its statutory and licence conditions for the total system, and are not required for DNOs to meet their own obligations.

10. DNOs have no history of applying such requirements to embedded Generators, and importantly they therefore have:

    a) no legal or licence obligation to do so;

    b) no current expertise in these particular technical specialisms;

    c) no income to support either the technical work required, nor the liabilities and costs arising from it.

11. DNOs believe it is therefore not appropriate to transfer the existing NGC requirements wholesale for DNOs to apply and enforce through either or both of their connection agreements and the Distribution Code.

12. DNOs do recognize some overlap in the Grid Code technical requirements with those existing in the Distribution Code, and believe that these should continue to be applied by DNOs in accordance with existing practice.

Proposed Way Forward

13. Given the industry framework in terms of license responsibilities and existing industry codes, a mechanism needs to be found and agreed that identifies the roles, obligations and responsibilities of all interested parties in meeting the overall objective of placing, enforcing and complying with only relevant technical requirements for licence-exempt embedded medium power stations. The parties are NGC as the total system operator, the DNOs as the host network operators, the embedded Generators as the plant owners, Ofgem as the industry regulator and the DTI as the custodians of the legal and policy requirements for licensing.

14. One possible mechanism would be for the DNOs to require licence-exempt embedded medium Generators via their connection offers/agreements and/or the Distribution Code to have a 'framework' contract in place with NGC. Such a contract would then require compliance with the relevant Grid Code clauses. Other mechanisms may be possible.

15. In order to identify and agree such a mechanism, and to discuss and propose the responsibilities for all parties, it is recommended to establish a joint GCRP/DCRP working group who would be charged with developing proposals and reporting back to the Panels. A draft terms of reference is attached in an appendix.

Recommendations

16. The GCRP/DCRP are invited to:

    a. note the content of this paper

    b. agree the setting up of the proposed joint working group

    c. discuss and agree the proposed working group terms of reference

Appendix

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Joint GCRP/DCRP Working Group

Technical requirements for Licence-Exempt Embedded Medium Power Stations

Draft Terms of Reference

1. To identify possible transparent and binding long-term mechanisms which would allow relevant existing and developing Grid Code technical requirements for licence-exempt embedded medium power stations to be applied, enforced and complied with during the lifetime of the station.
2. Possible mechanisms to explore would be for the DNOs to require licence-exempt embedded medium Generators Code to have a 'framework' contract in place with NGC via their connection offers/agreements and/or the Distribution. Such a contract would then require compliance with the relevant Grid Code clauses.
3. To consider other mechanisms as appropriate.
4. The joint GCRP/DCRP working group will report progress and outcome to both Panels.
5. The membership of the joint working group will be drawn from the GCRP/DCRP or their nominated representatives, and Ofgem.
6. The joint working group will aim to complete its work for the GCRP and DCRP meetings that take place on 20 November 2003 and 27 November 2003 respectively.