

Review of derogation process for compliance – May 2010
Pp_10/15

Background

Grid Code OC 6.6 requires that users install the necessary equipment to enable automatic low frequency demand disconnection (“LFDD”) in order to limit the consequences of a major loss of generation or an event on the system. OC 6.6.6 sets out the relevant obligations for non-embedded customers.

On 3 November 2008, National Grid Electricity Transmission (“NGET”) requested derogation from the Authority against the obligation to comply with OC 6.6 in this instance because automatic LFDD capability had not been provided at National Grid Grain LNG (“GLNG”), a 100MW demand connection with a commissioning date of 9 November 2008.

NGET requested a time-limited derogation on the basis that it intended to work with GLNG ahead of engineering week 24 of 2009 (week commencing 8 June 2009) to identify any options under which GLNG may be able to operate whilst meeting Grid Code obligations in respect of providing automatic LFDD capability.

On 11 November 2008, the Authority advised NGET of its decision to grant the derogation to expire on the earlier of 12 June 2009 and the date, if any, upon which the Authority exercised its right to revoke the derogation.

In granting the derogation, the Authority noted from the information provided that:

- NGET does not consider that a time limited derogation would have an operational impact on the transmission system, and
- NGET does not consider that the lack of automatic LFDD when GLNG is first connected is inconsistent with NGET’s broader application of LFDD services from users.

On 4 June 2009, NGET advised that the works would not be completed to achieve compliance by 12 June 2009, and requested an extension until 30 November 2009. On 12 June 2009, the Authority granted the requested extension, but noted ongoing concerns about NGET’s internal compliance process that had resulted in such a late request for an extension. The extended derogation was conditional upon the issue being resolved by 30 November. The extended derogation was also conditional upon NGET providing monthly progress reports on the status of the works required to achieve compliance.

On 30 September 2009, as part of its monthly progress reporting to Ofgem, NGET indicated that it may seek a further extension to the existing derogation. On 30 October 2009, NGET requested a further extension until 31 May 2010. In its request, NGET advised that whilst the LFDD equipment will be installed by GLNG at the site before the existing derogation expires, it will not be fully commissioned by that date. This was due to the fact that GLNG was reluctant to undertake the reconfigurations of its electrical system necessary to complete commissioning of the LFDD equipment, as this would take place during the peak period of gas injection into the NTS. GLNG believed that this may compromise operations at the LNG site. Whilst commissioning was expected to be completed by the end of April 2010, an extension was sought by NGET until 31 May 2010 to accommodate potential delays/unforeseen circumstances.

On 21 December 2009 the Authority granted the requested extension until 31 May 2010. The extension was subject to a number of conditions, which are discussed in more detail below.

Ofgem letter

In issuing the extension to the derogation on 21 December, Ofgem published its letter to NGET. In the letter Ofgem raised concerns that:

- the non-compliance remains unresolved, around 18 months since the issue was first identified.
- that NGET may not be taking sufficiently robust actions (for example through appropriate contractual obligations on the user in this instance) to ensure compliance is achieved in a timely manner, and that there does not appear to be a process under the Grid Code to monitor compliance and enforcement and take appropriate remedial action where necessary.

Ofgem noted that it may also be appropriate for the Grid Code to include a process for appropriately monitoring compliance and enforcement and that an existing working group had been established by the Grid Code Review Panel (GCRP) to develop processes for assessing, monitoring and addressing concerns relating to compliance with the Grid Code Connection Conditions.

Due to these concerns Ofgem made the derogation conditional upon NGET raising with the GCRP (i) the development of arrangements under the Grid Code for monitoring compliance with and enforcement of the code and (ii) the scope to review existing obligations potentially to provide for greater discretion on NGET's part to avoid inefficient use of resources in relation to requests for derogation. NGET is required to report to Ofgem by the end of June 2010 the findings of any working group that is established.

Further, the derogation is conditional upon NGET reviewing its internal processes for ensuring timely Grid Code compliance and enforcement, and reporting back to Ofgem by the end of June 2010 on the outcome of the review and any actions NGET has taken or intends to take.

Presentation of the issue to the February 2010 GCRP

At the GCRP on 4th February, NGET gave an overview of the letter and specifically raised the suggestion that the GCRP set up a working group to consider:

- the development of arrangements under the Grid Code for monitoring compliance with and enforcement of the code; and
- the scope to review existing obligations potentially to provide for greater discretion on NGET's part to avoid inefficient use of resources in relation to requests for derogations.

In addition, NGET gave an overview of the improved internal restructuring that was implemented to improve the role of ensuring compliance with the Grid Code by parties connecting to and using the National Electricity Transmission System and where appropriate, the submission of requests for derogations. These improvements include the setting up of a dedicated team within Commercial, Customer Services and the implementation of a full review of current processes associated with appropriately managing these activities.

GCRP view of the issue

The GCRP concluded that they did not see any need for changes to the Grid Code and hence the need for a working group. The GCRP concluded the compliance working group had developed processes for assessing and monitoring compliance but in the case of GLNG there was a clear non-compliance with the Grid Code and, as would be the case for any connecting party, where such non-compliance exists a derogation is required.

Instead, the GCRP considered that the internal processes should be subject to some form of independent audit.

NGET's further consideration

Following the February GCRP, NGET has given further consideration as to whether any Grid Code changes are required, we have considered these from the perspective of:

- Greater discretion on NGET's part in relation to requests for derogations. In this regard, NGET feels it is important that Ofgem is involved in processing requests for derogations from Grid Code compliance as it would be inappropriate for NGET to grant derogations against the its own Licence requirements. Such derogations should be infrequent and carefully tested to ensure no party is disadvantaged by such a derogation; and
- Development of arrangements under the Grid Code for monitoring compliance with and enforcement of the code. In terms of monitoring compliance then clearly improvements can be made however, NGET feels these are in relation to internal processes and steps have been taken to implement a full review of these activities.

NGET notes the GCRP's view that a working group is not required to review this area and NGET does not have any significant reason to change this view however, we would welcome any further views from the GCRP on this matter.

GCRP recommendations

GCRP are asked to:

- Note the steps taken by NGET to fully review and implement improvements to its role of ensuring compliance with the Grid Code by parties connecting to and using the National Electricity Transmission System and where appropriate, the submission of requests for derogation.
- Confirm the position that no working group is required