

Grid Code Review Panel

Licence Exempt Embedded Medium Power Stations

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1 Summary

This paper explains the background to LEEMPS and suggests that a new approach is warranted. The approach proposed requires a simple bilateral contract between the generator and NG to implement industry standard liability arrangements and a direct framework for NG to liaise directly with the generator in establishing LEEMPS compliance against the Grid Code Connexion Conditions (CC).

If the approach looks promising it is proposed that a joint GCRP/DCRP working group take forward the issue and that that group ensure that the necessary CUSC modifications are progressed.

2 Background

2.1 Origins

The current arrangements for LEEMPS came about because in the late 1990s there was a notion abroad that it was somehow inefficient and unnecessarily bureaucratic for generators in the 50MW-100MW range connecting to a DNO network to have to contract with both the DNO and NG. To give effect to this, the DTI (the responsible government department at the time) removed the need for generators in the size range to automatically hold a generation licence. But in making this decision the DTI sought assurances from the industry that arrangements could be put in place so that the protection given to NG by dint of the licence requiring Grid Code compliance could be met by other means. The basic approach now embodied in the LEEMPS process was agreed at high level at a meeting in 1 Victoria Street sometime in 2002. Amongst others at the meeting were NG's Dr Lewis Dale, Ofgem's Bridget Morgan, Nigel Turvey and Mike representing the DNOs and Geoff Hatherick for the DTI.

There were also perceived problems at that time in applying or modifying MCUSA¹ 2.5.1, which were addressed when CUSC was introduced, in CAP002.

2.2 Development

The high level approach agreed at the meeting above resulted in the joint Distribution Code Review Panel (DCRP) and Grid Code Review Panel (GCRP) Working Group which culminated in the D/05 consultation and subsequent implementation. Throughout the D/05 gestation it was completely clear to all parties that DNOs were in effect a post box transferring necessary Grid Code obligations from NG to embedded generators in the 50-100MW range. It was clear that the technical content of the compliance assessment was a matter, in detail, for NG and the generator; the DNO was merely acting as a legally binding facilitator. There are two important principles embodied in this approach:

¹ The Master Connexion and User of System Agreement – ie the forerunner of CUSC.

- The technical requirements for total system stability/safety/operability should be specified in the Grid Code and debated by the GCRP, where generators in the 50-100MW size range are specifically represented.
- Detailed consideration of Grid Code compliance should remain NG's concern. There is no merit in a DNO undertaking the detailed technical consideration of Grid Code compliance when:
 - DNOs do not have a direct interest in the benefits of compliance;
 - DNOs do not do not have the historic skills to undertake compliance assessments; and
 - NG retain the need and have appropriately skilled staff to undertake these assessments for transmission connected generation of any size, including relatively small generation in Scotland

2.3 Outcome and Recent Developments

When the Distribution Code and Grid Code changes for D/05 were implemented there was a sudden change of approach by NG. Whereas the development and drafting of D/05 had assumed self-assessment by the generator with oversight and scrutiny by NG, post D/05 implementation NG made it completely clear to DNOs that NG would be holding the DNO accountable for all compliance issues.

Whilst DNOs would acknowledge that a very strict and legalistic interpretation of the Grid Code could align with NG's new view of LEEMPS compliance, this was unexpected and unhelpful given that DNOs had invested considerable effort in coming up with administrative arrangements to allow NG to discharge their Grid Code obligations via DNO contracts and the Distribution Code. Clearly DNOs pushed back on this, but after a number of meetings with relevant NG staff, no way to agree to revert to the interpretation and modus operandi envisaged by the D/05 working group could be found.

It was subsequently agreed by the GCRP that the A/10 Working Group would look to resolve the conflict of interpretation by new Grid Code and Distribution Code drafting. The February 2008 GCRP that laid out the background to the need for these changes is attached as an appendix. This was fully accepted by the Panel, and some panel members have expressed surprise that NG has unilaterally decided that these proposals should be dropped.

DNOs now accept that the commercial arrangements and liabilities from D/05 were probably not thought through sufficiently at the time, and were therefore very supportive of the CAP 181 proposals to change CUSC which arose from the A10 consultation document. DNOs also accept that CAP181 would have introduced additional complexity into what is an already complex area.

3 Options and implications

There appear to be three ways forward from here

3.1 *The status quo*

A theoretical option is to remain with the existing drafting of LEEMPS arrangement in both the D Code and the G Code. However the reasons to change it that were agreed in February 2008 remain valid, and the status quo is unacceptable to DNOs.

3.2 *Resurrect the A10 LEEMPS changes*

This would involve isolating the LEEMPS aspects of A10, reviewing the perceived problems with that approach, and seeking to revise them, particularly in how the necessary CUSC and other commercial changes need to be implemented.

3.3 *Reject the historic LEEMPS approach and replace it with something more fit-for-purpose*

This proposed approach recognizes that the underlying philosophy from the 2002 DTI meeting is flawed. It is NGET who care most about, and who understand best, the detailed and sometimes arcane requirements of the CCs, and therefore NGET should be directly involved in ensuring that their requirements are met. To involve DNOs in this detailed technical area is not efficient, and introduces the risk of miscommunication, confusion and delay. These are not theoretical risks; a small number of LEEMPS have been commissioned, and it is DNOs' experience of managing these risks that leads directly the unacceptability of perpetuating the status quo.

To make changes still requires a framework for engagement. It is not possible to create a detailed framework that does not touch the DNOs. There is no other route to create liaison between NGET and the generator.

However this appears to be quite easily done, as the existing LEEMPS drafting demonstrates. The framework can either rely on D Code drafting or Connexion Agreement (probably DCUSA eventually) drafting – or even both. For example there could be a simple requirement in the D Code that requires generators to conform to the G Code and to enter into the appropriate agreement with NGET. The appropriate agreement would need drafting, and presumably as an exhibit to the CUSC, under whose governance it must fall.

4 Implications of a new LEEMPS approach

4.1.1 Bilateral Contracts

The suggestion above is that presumption that there must be no contract between a LEEMPS and NGET falls away, and that the appropriate way for NGET and the LEEMPS to manage compliance in respect of the necessary CCs is through a bilateral contract. The primary function of the contract, which would consist of boilerplate terms, would be to define the mutual liability between NGET and the generator in respect of the interaction between the LEEMPS and the total system. It would not change the commercial arrangements between the generator and the DNO.

Such a contact would not require the generator to sign up to the CUSC accession agreement. However it is likely that the most or only acceptable way for such a bilateral to exist would be in a form specified as a CUSC exhibit.

From a governance view point, the CUSC proforma contract would be subject to normal CUSC governance, signed off by the Authority. The D Code and G Code

drafting are subject to Ofgem approval, and the connexion agreement for the generator in question is determinable by Ofgem.

4.1.2 Ongoing arrangements

This relates to the duration of the bilateral contract. Is it enduring or does it fall away at some stage, for example on successful commissioning and the issuing of the Final Operational Notification?

4.1.3 Applicable Grid Code Objectives

DNOs would argue that the proposed revision to the LEEMPS process does facilitate the objectives of co-ordination and efficiency, as well as security. The arrangements proposed are considerably simpler than the existing ones, and the proposed bilateral contract imposes no new conditions or costs.

5 Recommendation

The GCRP is asked to consider the issues raised in this paper, and to debate whether the proposed new approach to LEEMPS is an appropriate way forward. If so it will probably need to be taken forward as a joint DCRP/GCRP WG and be accompanied by a CUSC modification.