

Grid Code Review Panel
**Consequential changes to the Grid Code resulting from the implementation
of Electricity Market Reform**

Date Raised: 06 November 2013

An Information Paper by National Grid

Summary

DECC's October consultation document, "Electricity Market Reform: consultation on proposals for implementation" (the "**EMR ConDoc**"), flagged that Government (together with Ofgem, National Grid and Elexon) is assessing which existing licence conditions, industry documents and agreements may need consequential amendments as a result of the Energy Bill's provisions to introduce the Capacity Market and implement the Contracts for Difference ("**CfD**").¹

It is anticipated that Government will consult on the proposed consequential amendments in early 2014, at which time interested parties will be invited to comment on the proposed amendments. This paper is to update Panel members and is intended to give the Panel a high-level overview of the types of changes that, based on the information published to date, may need to be made to the Grid Code.

The Energy Bill includes provisions for the Secretary of State to modify licence conditions, industry documents, and related agreements, for the purpose of giving effect to the Capacity Market and CfD. It is expected that the consequential amendments to the Grid Code will be effected under those statutory modification provisions.

Description & Background

Background

Details about the proposals for implementing Electricity Market Reform, including the EMR ConDoc, are available on Government's website:

<https://www.gov.uk/government/consultations/proposals-for-implementation-of-electricity-market-reform>

"Consequential" changes are those changes that are required as a consequence of the substantive requirements of the Energy Bill, including The Electricity Capacity Regulations, The Electricity Capacity (Payment) Regulations, the Capacity Market Rules, The Contracts for Difference (Allocation) Regulations, The Contract for Difference (Supplier Obligation) Regulations, and the CfD Allocation Technical Framework.

Description

Broadly, it is currently anticipated that the consequential changes that may need to be made to the Grid Code are expected to relate to the following areas: (1) change co-ordination; and (2) confidential information and data flows.

Change co-ordination: Some of the documents that will be put in place to introduce the Capacity Market and implement the CfD cross-refer to various Grid Code provisions and concepts, amongst other documents. Accordingly, it is important that if the Grid Code is amended, the Grid Code change co-ordination arrangements facilitate the identification, co-ordination and implementation of a change to a relevant Electricity Market Reform document consequent on a modification to the Grid Code. Hence, a small amendment may be made to the Grid Code change co-ordination provision. Note that a similar provision is included in the Capacity Market Rules, whereby the administrator of the Rules is required to establish joint working arrangements for change co-ordination with each core industry document 'owner' to facilitate the identification, co-ordination, making and implementation of change to the core industry documents consequent on a

¹ See pages 29, 31 and 231.

modification to the Capacity Market Rules.

Confidential information and data flows: Various data flows are provided for in the documents that will be put in place to introduce the Capacity Market and implement the CfDs. Some of these, it is anticipated, relate to the provision and use of Grid Code data, for example in assessing what is required on the System. For all such data flows, it is necessary to ensure that there are no restrictions on providing it to the entity who requires it for Capacity Market and/or CfD purposes (as relevant) and that the data may be used for Capacity Market and/or CfD purposes (as relevant).

Hence, small amendments may be needed to the Grid Code (and CUSC) confidentiality provisions.

Process for consequential

This paper has been prepared on the basis of the Electricity Market Reform information that Government has published to date and on the basis of analysis that has been undertaken to date. If further information is published by Government, for example, the CfD Allocation Technical Framework, that may lead to further areas of consequential changes being needed. Also, given that Government's consultation on the proposals for the implementation of Electricity Market Reform does not close until 24 December 2013, it is also possible that further changes will be made to the Capacity Market and CfD key documents. In that case, it is possible that some more consequential amendments may be required.

It should be noted that as the consequential changes are being developed, consideration is also being given to the Grid Code modifications that have been proposed and that are being progressed through the Code's usual modification process.

As set out in the EMR ConDoc, Government is also considering what consequential amendments may need to be made to the CUSC, Balancing and Settlement Code, the STC and other industry documents.

ConDoc Responses

As mentioned above, there will be an opportunity for interested parties to comment on the consequential changes to all industry documents when Government issues the relevant consultation document, which is anticipated to be in early 2014. However, if Panel members have any questions or comments in relation to the consequential amendments that may need to be made to the Grid Code, these should be directed to grid.code@nationalgrid.com by 4 December 2013. Please note that National Grid has no role or authority in relation to policy matters and cannot respond to any questions or comments that raise policy points. Policy points should be made in response to the EMR ConDoc.

Recommendation

The Grid Code Review Panel is invited to:
Note the issue for information only.