Codes Summary – September 2015

This document provides a summary as to latest developments concerning the various other Industry Codes. Further detailed information can be found at:
http://www2.nationalgrid.com/uk/Industry-information/Electricity-codes/

BSC

Annual BSC Meeting
The Annual BSC Meeting was held on 9th July. The meeting was well attended and the feedback from attendees was largely positive. Various experts from ELEXON and across the industry gave presentations looking at governance, European harmonisation and the future of the market.

New BSC Modification P324 'Review of BSCCo's governance: introducing improved accountability to BSC Parties'
On 24th July 2015, National Grid raised a Modification to the BSC to implement changes to the BSCCo's governance in order to address the issues identified by the Knight Review. The Modification is based on the straw-man developed by the BSCCo Board and BSC Panel. It seeks to amend the current BSCCo governance arrangements to bring it in line with best practice. It would introduce the ability for BSC Parties to vote to remove directors and give sole responsibility for setting BSCCo's strategy to the Board. The BSC Panel considered this Modification at its August meeting and progressed it to Assessment Procedure.

New BSC Modification P325 'Improving the accountability of BSCCo to stakeholders and better aligning BSCCo governance with best practice'
On 30th July 2015, SSE raised a Modification to the BSC to amend the ownership structure of BSCCo by issuing shares in BSCCo to BSC Parties, Distribution Network Operators, new entrants, National Grid and the Authority, to allow BSCCo to operate a governance model entirely consistent with the UK Corporate Governance Code. The BSC Panel considered this Modification at its August meeting and progressed it to Assessment Procedure.

These two Modifications both seek to better define the relationship between the ELEXON Board and the BSC Panel, and improve the accountability to BSC Parties.

CMA update
The BSC Panel reflected on the provisional findings of the CMA's Energy Market Investigation, and considered ELEXON's response. The Panel agreed with ELEXON's response and also provided its own response that included – amongst other issues – concerns around the proposition that Code Administration should be licensable. The Panel also believes that the Authority has powers akin to those mentioned in the report, but currently does not fully use them.

CUSC

CMP227: Reduce the G:D split of TNUoS charges, for example to 15:85 proposes to change the split of total TNUoS charges between generation and supply from the current 27:73 to a lower share of charges for generators, suggested to be 15:85, which corresponds with the approach modelled under Project TransmiT. The Workgroup agreed 5 WACMs, based on two main options: a G:D split of 15:85 and a split of G:D split fixed at 4:96 (equivalent to €0.5/MWh at current exchange rate), with 3 different implementation timescales of 12, 24 and 36 months respectively. The Workgroup voted by majority that WACMs 1, 2 and 5 better facilitate the Applicable CUSC Objectives and should be implemented. The Code Administrator consultation closed on 25th June 2015. At the July 2015 Panel meeting, the Panel voted by majority that the Original and all five of the WACMs facilitate the Applicable CUSC Objectives better than the baseline. When considering which

option was the best, the vote was split between the Original, WACMs 2, 3, 4 and 5 and the Baseline. The Final Modification Report (FMR) was sent to the Authority for decision on 13th August 2015.

CMP235 / CMP236: Introduction of a new Relevant Interruption Type / Clarification of when Disconnection Compensation payments can be expected under a Relevant Interruption. CMP235 seeks to amend the description of an Interruption to add this type of Emergency Deenergisation by a User as a Relevant Interruption. CMP236 seeks to clarify that where station supplies are disconnected solely by National Grid plant or apparatus and the effect of this is to lose the generating units' output, that this is a Relevant Interruption and that under the CUSC, Interruption payments can include these stations. CMP235 and CMP236 were amalgamated and developed by a Workgroup which agreed 5 WACMs. The Workgroup voted by majority that WACM4 (which is an alternative to CMP235 alone) is the best solution and therefore should be implemented. The Code Administrator consultation closed in May 2015 and the CUSC Panel voted at its May meeting, by majority, that CMP235/236 WACM3 is the best option and therefore should be implemented. The Authority approved CMP235/6 WACM3 on 15th July 2015 and it was implemented on 29th July 2015.

CMP237: Response Energy Payment for Low Fuel Cost Generation seeks to take into account the different financing approaches of generators with low or negative energy costs for those that receive additional financial incentives, by setting the Response Energy Payment (REP) at £0/MWh. CMP237 was developed by a Workgroup which classified generators into those with "fuel costs" and "no fuel costs", with "no fuel cost" generators receiving the £0/MWh REP. The Workgroup agreed one alternative which allows all those within the "no fuel cost" category to choose whether their REP will be set to £0/MWh or will be based on the MIP, with the choice made on an annual basis. The Workgroup Report was accepted by the CUSC Panel and sent to Code Administrator consultation which concluded on 24th June 2015. At the July CUSC Panel meeting, the Panel voted by majority that the Original option best facilitated the Applicable CUSC Objectives and therefore should be implemented. The FMR was sent to the Authority for decision on 14th August 2015.

CMP239: Grandfathering Arrangements for Small Generator Discount. CMP239 seeks to implement 'grandfathering' arrangements in the CUSC from the expiry of Licence Condition C13 on 31 March 2016. The proposed arrangements would apply to those generators that currently receive the small generator discount and also to those generators that will connect by 31 March 2016 that would be eligible to receive the small generator discount. CMP239 was developed by a Workgroup which agreed 3 WACMs, with the vote split equally between the original proposal and WACM3, which proposes that an Independent Technical Expert would validate the 'significant investment decision' and that should 132kV get classified in Scotland (and offshore waters) as Distribution the small generator discount would stop. The Code Administrator consultation closed in May and the CUSC Panel voted at its June meeting, by majority, that the Baseline was the best option and therefore CMP239 should not be implemented. The Authority published its decision to reject CMP239 on 12th August 2015.

CMP242: Charging arrangements for interlinked offshore transmission solutions connecting to a single onshore substation. CMP242 was raised by National Grid Electricity Transmission plc and aims to ensure that both circuits linking offshore platforms connecting to a common onshore substation and additional capacity that can be utilised on export cables to shore by offshore generation as a result are appropriately charged. The CMP242 Workgroup received three responses to its Workgroup Consultation. The Workgroup is due to report back to the September 2015 Panel meeting.

CMP243: A fixed Response Energy Payment option for all generating technologies. CMP243 aims to allow all generators, regardless of technology type, the option of choosing whether their Response Energy Payment (REP) is based on the current methodology or a fixed value suggested at £0/MWh. CMP243 was presented to the CUSC Panel on 29th May 2015 and was sent to a Workgroup to report back to the September 2015 Panel meeting.

CMP244: Set final TNUoS tariffs at least 15 months ahead of each charging year. CMP244 seeks to increase the length of the notice period for TNUoS tariffs (currently 2

months) to a suggested period of 15 months. CMP244 was presented to the CUSC Panel meeting on 29th May 2015 and the Panel unanimously agreed that CMP244 should be developed by a Workgroup and set an initial Workgroup timetable of six months, to report back to the November 2015 Panel meeting.

CMP245/246: Introduction of a new 'Category 5 Intertripping Scheme' to include System to System Intertrips in relation to One-off Charges. CMP245 and CMP246 both aim to clarify the position in relation to the treatment of a System to System intertrip by classing it as a new Category 5 Intertripping Scheme. These modification proposals seek to address the same defect however propose changes to both the CUSC and the Charging Methodologies, hence the two separate modification numbers. CMP245/6 were presented to the CUSC Panel on the 26th June 2015. The Panel decided by majority that CMP245 and CMP246 should not be treated as urgent and should be developed by a Workgroup, with a standard timescale of four months. The Authority agreed with the Panel and did not grant urgent status to the modifications. The Workgroup is due to report back to the October 2015 Panel meeting.

CMP247: TNUoS Demand Charges during the implementation of BSC Modification P272 following the approval of BSC Alternative Modification P322. CMP247 aims to allow all meters which migrate into Measurement Classes E-G to be treated as NHH up until the full charging year after the Implementation date of P272. Those meters which migrated before April 2015 will still have the option to be treated as HH if Suppliers so wish. CMP247 was presented to the July Panel meeting, where the Panel agreed that CMP247 should proceed directly to Code Administration. The consultation was published on 10th August and closes on 8th September 2015.

CMP248: Enabling capital contributions for transmission connection assets during commercial operation. CMP248 aims to enable users that have existing arrangements to pay annual charges for transmission connection assets the opportunity to make capital contributions against the transmission connection assets. The CUSC Panel agreed by majority that CMP248 should be considered as Self-Governance and should be developed by a Workgroup. The Workgroup is due to report back to the Panel in November 2015.

CMP249: Clarification of Other Charges (CUSC 14.4) – Charging arrangements for customer requested delay and Backfeed. CMP249 aims to include the principles underpinning the CEC before TEC policy within Section 14 of the CUSC, state the methodology for calculation an clarify in which situations this will be applied. The Panel agreed that CMP249 should be developed by a Workgroup which will report back to the Panel in November 2015.

SQSS

GSR008: Regional Variations and Wider Issues: This includes a number of proposed amendments such as: adjusted n-1-1 contingency requirements; the use of dynamic ratings; the assumed reactive power output of generation etc. This modification was submitted to the Authority for a decision in October 2011. Due to the length of time this has been awaiting a decision from the Authority, they have advised that this may now need to be re-consulted upon. We are actively engaging with the Authority but are still awaiting their final conclusions.

GSR011: Review of Offshore Networks: This considers the offshore criteria for larger wind farms such as the Round 3 developments. At the August 2014 NETS SQSS Review Panel it was unanimously agreed that this modification is ready to be submitted to the Authority for a decision. GSR011 was formally submitted to the Authority on 18th August 2014. We are actively engaging with the Authority but are still awaiting their final conclusions.

GSR012: Interconnectors: This considers a consistent treatment of interconnectors when planning their local connections and their impact on wider infrastructure requirements. The Working Group presented their initial conclusions with respect to local connections at the October 2014 NETS SQSS Review Panel meeting. The wider works analysis has started and

it is believed that due to existing processes such as the Network Development Policy (NDP) and Electricity Ten Year Statement (ETYS), the changes should not be significant.

GSR014: Offshore Requirements at Onshore Substations: This considers the onshore substation requirements (one or two switch-bays) where offshore cables connect to the onshore network. The industry consultation closed on 14th November 2014 and five responses were received. The updated Modification Report addressing Industry Consultation responses was reviewed at the August 2015 Panel meeting. Subject to final comments, the report will be submitted to the Authority for a decision on the proposed changes to the NETS SQSS to clarify the switch-bay requirements for offshore connections at the first onshore substation.

GSR015: Normal Infeed Loss Risk: This proposes to reword the definitions of infeed loss risks and unacceptable frequency conditions to avoid increased costs being incurred to procure additional frequency response until additional risks arise. This modification was approved by the Authority on Wednesday 3rd December 2014 and the Ofgem Decision Letter is now available on our website. However, for these changes to take effect Ofgem will need to modify the electricity transmission licenses so that they refer to the new version of the NETS SQSS. Since GSR015 is not considered to be time-critical this has not yet been done. Ofgem will do this at an appropriate stage in the future.

GSR016: Application of Scaling Factors and the Inclusion of Embedded Wind in NETS SQSS Chapter 4 Studies: This aims to determine more realistic dispatch levels for generation, including embedded generation, in local and wider system capability studies. The working-group presented its initial conclusions to the NETS SQSS Review Panel in June 2014. The working group aims to bring their final report and an initial industry consultation document to the Panel later in the year.

GSR017: Treatment of Switch Faults in Operational Timescales: This is reviewing the risk of switch faults and determining the extent to which switch faults should be secured against given the changing mix of generation and reductions in system strength. The working-group continues to liaise with National Grid's Market Operation function over the appropriate NETS SQSS text revision.

GSR018: Sub-Synchronous Oscillations (SSO): The NETS SQSS Review Panel agreed to progress work to develop and clarify the transmission licensees' responsibilities with respect to sub-synchronous oscillation issues. The first working-group meeting was held on 21st July 2014 and the working-group was tasked with providing proposals to discuss at subsequent meetings. It should be noted that at the request of the GCRP, this NETS SQSS working group has absorbed some actions and members from a previous Grid Code working group. The Working Group Report is being drafted, it proposes SQSS and Grid Code changes and is due to be presented at the October 2015 SQSS Panel meeting.

GSR019: Review of Chapter 7 Double Busbar Requirements: It has been suggested that current interpretation of the NETS SQSS mandates the use of a double busbar (or equivalent) arrangement for the first onshore substation for offshore transmission system connections. However, a Cost Benefit Analysis (CBA) performed by DONG Energy aims to demonstrate that this requirement is not the most economic and efficient solution for all offshore wind farm connections. It has therefore been proposed that this interpretation within the NETS SQSS for the need to have double busbar substation arrangements is addressed and subject to NETS SQSS Review Panel assessment, this deterministic requirement be removed if no net benefit can be demonstrated for this configuration of switchgear when considering the specific characteristics of offshore generation connections. A Working Group was established and has its next meeting planned in September 2015.

GSR020: Modification of Clause 7.8.1.1 to Allow Single Transformer Offshore Substations of Capacity Greater Than 90MW: This modification proposal was submitted by Siemens to the December 2014 NETS SQSS Review Panel. A Working Group was set up to consider these issues further and has presented its initial results. It will look to submit its

Working-Group Report to the next NETS SQSS Review Panel Meeting in October 2015 to enable a decision on changes to be made.

GSR021: NETS SQSS Criteria for 220kV Transmission Assets: Traditionally, 220kV has not been a standard operating voltage on the GB onshore transmission system. However, the Kintyre-Hunterston subsea link currently under construction and due to be commissioned in 2015 will be the first 220kV installation on the GB network. Further 220kV installations are expected to follow, with a number of OFTOs preferring AC connections. The NETS SQSS currently does not specify planning or operational criteria for onshore transmission system assets operated at 220kV. This modification proposal therefore intends to review the current version of the NETS SQSS and proposes to include 220kV in the planning and operational criteria of the onshore transmission system. This modification proposal was initially raised at the February 2015 NETS SQSS Review Panel with the intention of going straight out to industry consultation. To facilitate this, the NETS SQSS Review Panel requested a detailed impact assessment be conducted, which was presented to the April 2015 Panel meeting. The Panel reviewed the draft Industry Consultation Document following all comments received at its August 2015 meeting. This will be issued for wider Industry Consultation by the end of August.

Operational Forum

There have been no further Operational Forums held since the July 2015 Codes Summary was published. The next meeting is planned for 19th October 2015. Information is published on our website at the link below:

http://www2.nationalgrid.com/UK/Industry-information/Electricity-transmission-system-operations/Electricity-Operational-Forum/