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National Grid Electricity Transmission plc, STC signatories  
and Other Interested Parties

Direct Dial: 020 7901 7366

8 August 2006

Our Ref: blm/I06 026

Dear Colleague,

**Modification to the System Operator - Transmission Owner Code ("STC")  
- Decision and Direction in relation to Proposed Amendment CA021  
"Exchange of Certain Investment Planning Data".**

The Gas and Electricity Markets Authority (the "Authority"<sup>1</sup>) has considered the issues raised in the Amendment Report<sup>2</sup> in respect of Proposed Amendment CA021 "Exchange of Certain Investment Planning Data".

The Committee recommended to the Authority that Proposed Amendment CA021 should be approved. The Committee recommends that should Proposed Amendment CA021 be approved, the implementation date should be 5 business days after the Authority's decision.

Having considered the Amendment Report and the recommendation of the Committee and having regard to the Applicable STC Objectives<sup>3</sup> and Ofgem's

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<sup>1</sup> Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

<sup>2</sup> CA021 Amendment Report dated 14 July 2006.

<sup>3</sup> The Applicable STC Objectives are contained in General Condition B12 of the Licence to transmit electricity treated as granted to NGET, SHETL and SPTL under section 6 of the Electricity Act 1989 (the "Transmission Licence") and are:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act (as amended);
- (b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;
- (c) facilitating effective competition in the generation and supply of electricity, and (so far as is consistent therewith) facilitating such competition in the distribution of electricity;
- (d) protection of the security and quality of supply and safe operation of the GB transmission system insofar as it relates to interactions between transmission licensees; and
- (e) promotion of good industry practice and the efficiency in the implementation and administration of the arrangements described in the STC.

wider statutory duties,<sup>4</sup> the Authority has decided to direct an Amendment to the STC in line with Proposed Amendment CA021 as detailed in the Amendment Report.

This letter explains the background to CA021, and sets out the Authority's reasons for its decision. This letter constitutes notice by the Authority under section 49A of the Electricity Act 1989.

## **Background**

The version of the STC that was designated by the Secretary of State as part of the implementation of the British Electricity Trading and Transmission Arrangements ("BETTA") included provisions to allow NGET to provide Transmission Owners ("TOs") with investment planning data. STC Schedule 3 paragraph 2.4.3 is a time limited provision that allows NGET to provide the TOs with user data that is required to carry out transmission system stability analysis.

STC Schedule 3 paragraph 2.4.3 was introduced as an interim measure to allow time for the transmission licensees to consider more fully alternative arrangements for transmission system stability analysis work. This provision expires on 30 September 2006. The Committee asked the Joint Planning Committee ("JPC") to review the interim arrangement for transmission system stability analysis.

NGET submitted Amendment Proposal CA021 on 11 April 2006. Amendment Proposal CA021 is intended to provide an enduring data exchange process that enables each transmission licensee to comply with its investment planning obligations.

This STC Amendment Proposal was considered at the Committee meeting on 18 April 2006. The Committee determined that a Working Group should be established to consider the Amendment Proposal. The report from the review by the JPC was considered by the Working Group.

The Working Group reported to the Committee meeting on 17 May 2006. The Committee recommended that Amendment Proposal CA021 should proceed to the Assessment and Report Phase. NGET, on behalf of the Committee, issued a consultation paper on 27 June 2006 with responses invited by 11 July 2006. The final Amendment Report was submitted to the Authority on 14 July 2006.

## **The Modification Proposal**

STC Schedule 3 defines the information which, an STC Party may disclose to a TO under STC Section F. Amendment Proposal CA021 proposes:-

- Substantial changes to STC Schedule 3 paragraphs 2.4.3;
- Minor changes to STC Schedule 3 paragraph 2.4.2;
- A new Schedule 14 to define the information that may be exchanged, and
- An additional definition in STC Section J.

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<sup>4</sup> Ofgem's statutory duties are wider than the matters that the Panel must take into consideration and are detailed primarily in the Electricity Act 1989 as amended, including by the Enterprise Act 2002; the Energy Act 2004; the Transitional Provisions; and the Utilities Act 2000.

The proposed changes to the STC within Amendment Proposal CA021 would allow:-

- The exchange of specified parts of the information that users of the GB Transmission System have provided to NGET under Schedule 1 of the Data Registration Code of the Grid Code ("DRC Schedule 1"). CA021 proposes that the exchange of data within DRC Schedule 1 that is not specifically required for stability studies should be explicitly prohibited.
- NGET to provide TOs with lists of generation, in random order, that its forecasts will be synchronised at current and forecast (for the following six financial years) demand levels relevant to stability studies.
- Exchange of current and forecast (for the following six financial years) Investment Planning network data required for stability studies. CA021 proposes that this data exchange should be allowed even if the network parameters are outside of the relevant TO Boundary of Influence.

NGET considers that the proposed CA021 amendment would allow TOs to continue to be able to efficiently discharge their statutory and licence obligations. NGET considers that this would facilitate the development of an efficient, economical and co-ordinated system of electricity transmission.

### **STC Parties Assessment**

NGET is supportive of CA021. NGET reported that the implementation of the proposed CA021 changes to the STC would not:-

- Require changes to the IS systems.
- Require additional works or monies.

NGET considers that there may be adverse implications on:-

- GBSQSS compliance specifically in respect of the design of new connections to the GB Transmission System in Scotland;
- operating costs as stability issues may need to be addressed in operational timescales, and
- the overall integrity of the GB Transmission System

if CA021 was not approved.

SHETL is supportive of CA021. SHETL reported that the implementation of the proposed CA021 changes to the STC would not:-

- Require changes to the IS systems.
- Require additional works or monies.

SHETL considers that it would face additional risks in respect of its activities in planning and developing its transmission system and its compliance with its transmission licence if CA021 was not approved.

SPT is supportive of CA021. SPT reported that the implementation of the proposed CA021 changes to the STC would not:-

- Require changes to the IS systems.
- Require additional works or monies.

SPT considers that it would be unable to properly comply with the obligations of its transmission licence if CA021 was not approved.

### **Alternative Amendments**

No alternative amendments to CA021 were submitted.

### **Respondents' views**

No responses were received from any other industry parties.

## **Committee's views and Recommendation**

The Committee recommends that CA021 should be approved and the implementation date be 5 business days following the Authority's decision.

The STC Committee considers that CA021 will better facilitate the achievement of the Applicable STC Objectives. In particular the STC Committee considers that CA021 would:-

- Aid the licensees in the development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission by establishing an enduring STC process for the assessment of transmission system stability.
- Enable the more efficient discharge of the obligations imposed by standard condition D3 of the transmission licence by allowing required information to be provided to the TOs.

## **Ofgem's view**

Having considered the Amendment Report in the context of the Applicable STC Objectives and its statutory duties, Ofgem considers that the Amendment Proposal CA021 would better facilitate the achievement of the relevant STC Objectives.

Ofgem notes that CA021 is intended to establish a new, enduring process in the STC which would define detailed arrangements for the exchange of information required for transmission system stability analysis. Ofgem notes that the CA021 Amendment Proposals would additionally allow for the exchange of investment planning network models between STC Parties. Ofgem is satisfied that this information is required for transmission system stability analysis work. Ofgem considers that the proposed STC process will better enable TOs to meet their obligations in respect of investment planning. Ofgem agrees with the Committee's view that this will enable the more efficient discharge by the licensees of condition D3 of the transmission licence.

Ofgem notes that the transmission licensees have carried out a review of the interim arrangements that have been in place for transmission system stability analysis. Ofgem further notes that the JPC considered a range of alternative options. Ofgem acknowledges the transmission licensees' view that transmission system stability analysis is a key part of the investment planning process. Ofgem also notes the concerns expressed by each of the transmission licensees about the possible consequences on licence compliance and operating costs should CA021 not be approved.

Ofgem notes that the proposed change to the STC will reduce the volume of user data that NGET provides to the TOs. Ofgem further notes the transmission licensees' view that data which could be regarded as commercially sensitive has been explicitly excluded from the data that NGET would be permitted to disclose. Ofgem considers that a reduction in the volume of data exchanged should improve the efficiency of each transmission licensee's process for transmission system stability analysis.

## **The Authority's Direction**

The Authority has decided to direct that Proposed Amendment CA021, as set out in the Amendment Report, should be made and implemented.

The modification is to be implemented and take effect 5 business days after the Authority's decision.

In accordance with Condition B12.7 (c) of NGET's Transmission Licence, NGET shall modify the STC in accordance with this direction of the Authority.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number or alternatively contact Bridget Morgan on 020 7901 7080.

Yours sincerely,

A handwritten signature in black ink that reads "John Scott". The signature is written in a cursive style with a horizontal line underneath the name.

**John Scott**

**Technical Director**

Signed on behalf of the Authority and authorised for that purpose by the Authority