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*Bringing choice and value
to customers*

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6 September 2005

Dear Ben

STANDARD CONDITION C14 : TRANSMISSION LICENCE, LICENSEE'S GRID CODE

Decision in relation to consultation F/05 "Proposed changes to the Grid Code to incorporate the new Company Name"

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the changes that NGET² has proposed to its Grid Code as set out in the report to the Authority arising from consultation F/05 ("Proposed changes to the Grid Code to incorporate the new Company Name")³ that has been submitted to it for approval.

The Authority has decided to approve the proposed changes to the Licensee's Grid Code (the "Grid Code") as set out in the Appendix A of the report to the Authority arising out of consultation F/05.

This document explains the background to the proposals and sets out the Authority's reasons for its decision to approve these changes to the Grid Code. This letter constitutes notice by the Authority under Section 49A of the Electricity Act 1989 in relation to the directions contained or referred to in this letter.

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

² National Grid Electricity Transmission plc

³ Report from NGET - Consultation Reference F/05, Issue 1, Date of Issue 1 September 2005 (http://www.nationalgrid.com/uk/indinfo/grid_code/pdfs/Report%20to%20the%20Authority%20F05.pdf).

Background to the proposed changes to NGET's Grid Code

On 27 July 2005, the name of the Transmission Licence holder was changed from National Grid Company plc ("NGC") to National Grid Electricity Transmission plc ("NGET"). Throughout the Grid Code there are many references to NGC. NGET has proposed that Grid Code references to NGC should be replaced by NGET to reflect the change of company name. NGET also proposes changes to the Glossary & Definitions to add a definition for NGET and remove the definition of NGC.

NGET also proposes to amend all references to NGC in the Grid Code Review Panel ("GCRP") Constitution and Rules.

NGET received 4 responses to consultation F/05 from authorised electricity operators. NGET reported that:-

- All respondents indicated that the proposed change had no effect on them or were supportive of the proposed change.
- One respondent suggested that as this Grid Code change has a neutral effect on the Grid Code obligations it should be implemented at the same time as other more substantial Grid Code changes.

NGET consider that if approved these Grid Code changes should be implemented as soon as possible to avoid unnecessary interaction with future Grid Code changes.

NGET's recommendation

NGET recommends that the Authority approve the changes to the Grid Code set out in the report to the Authority arising from consultation F/05 ("Proposed changes to the Grid Code to incorporate the new Company Name").

Ofgem's view

The proposed changes by NGET are set out in its report to the Authority as required by standard condition C14(2) of NGET's electricity transmission licence. Approval of these changes by the Authority is required by standard condition C14(3). Ofgem considers that, having had regard to the licensee's obligations set out in condition C14(1)(b)⁴ of the Transmission Licence ("the obligations") and Ofgem's wider statutory duties, that the proposed changes to the Grid Code should be approved by the Authority. Ofgem's reasons for reaching this decision are outlined below.

⁴ The licensee's transmission licence defines the Grid Code objectives as follows:

- (i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity;
- (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the GB transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity); and
- (iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in Great Britain taken as a whole.

The Authority acknowledges that there were no objections to the proposed Grid Code changes.

The Authority notes that one respondent queried the efficiency of issuing a Grid Code update for these changes which do not impact on any actual Grid Code obligations. The Authority further notes the response from NGET that prompt introduction of these changes if approved, would avoid unnecessary interaction with future Grid Code change proposals. Whilst it is usual practice for the Authority to seek to align implementation dates of Grid Code changes when possible, in this case the Authority considers that it is not appropriate to delay the implementation date until reaching a decision on Grid Code changes that are expected to be submitted to it for approval in the future.

The Authority understands that the proposed changes will reflect the recent company name change from NGC to NGET in the Grid Code. The Authority considers that it is important for there to be clarity in the Grid Code particularly in relation to the parties to whom obligations apply. On this basis, the Authority considers that the proposed changes meet the obligations.

The Authority's decision

Based on the reasons set out above the Authority has therefore decided to approve the Grid Code changes set out in Appendix A of the report submitted to the Authority arising from consultation F/05 ("Proposed changes to the Grid Code to incorporate the new Company Name").

The implementation date for these Grid Code changes is 30 September 2005.

Please do not hesitate to contact me on the above number if you have any queries in relation to the issues raised in this letter 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 and is underlined with a single horizontal line.

John Scott
Technical Director

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

cc: David Payne, GCRP Secretary