

Modification proposal:	Grid Code GC0093: Assessment of System Warnings		
Decision:	The Authority ¹ has decided to approve ² this modification		
Target audience:	National Grid Electricity Transmission PLC (NGET), the Grid Code Review Panel, Grid Code users and other interested parties		
Date of publication:	22 September 2016	Implementation date:	30 September 2016

Background

Operating Code 7 (OC7) of the Grid Code sets out the requirements for operational liaison between National Grid Electricity Transmission (NGET), in its role as National Electricity Transmission System (NETS) System Operator (SO), and system users. OC7 provides for the exchange of information so that the implications of a system event can be considered and appropriate action taken by the relevant party in order to maintain the integrity of the system. As part of this exchange of information, OC7 defines a number of NETS warnings that can be issued by NGET to users in accordance with OC7.4.8, which provide information to them relating to system conditions or events, and which are intended to:

- alert users to possible or actual plant shortage, system problems and/or demand reductions;
- inform them of the applicable period;
- indicate intended consequences for users; and
- enable specified users to be in a state of readiness to react properly to instructions received from NGET.

The Grid Code OC7 system warnings are:

- Inadequate System Margin – which is intended to alert recipients of an inadequate system margin which, if not improved, may result in demand reduction being instructed.
- High Risk of Demand Reduction – which is intended to alert recipients that there is high risk of demand reduction being implemented and which may normally result from inadequate system margin.
- Demand Control Imminent – which is intended to provide short-term notice, where possible, to those users who are likely to receive demand reduction instructions from NGET within 30 minutes.
- Risk of System Disturbance – which is intended to alert users to the risk of widespread and serious system disturbance which may affect users.

The very first level of the above warnings is the Notice of Inadequate System Margin (NISM) which is issued by NGET, typically a day ahead, when it considers that the predicted margin between demand and available generation should be greater. A NISM is a message to market participants to provide more power or reduce demand, and it does not reflect an imminent power shortage. The GC0093 modification proposal intends to make this clearer for system users and also takes into account the other developments taking place in the Capacity Markets (CM).

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

The modification proposal

NGET carried out an assessment of the warnings system and introduced an issues paper at the Grid Code Review Panel (GCRP) in March 2016. Following further discussion and development, a draft consultation for GC0093 (the proposal) was submitted to the GCRP in May 2016. NGET noted that the NISM is subject to misinterpretation by those unfamiliar with operational terminology. The GCRP agreed that the proposal should proceed to industry consultation.

NGET is proposing that the NISM is renamed the 'Electricity Margin Notice'. NGET's consultation and the Report to the Authority described NGET's views on the benefits of the name change:

- clarity around the hierarchy and protocols of system notices for winter 2016/17 and onwards, when new participants will be operating in the market with the introduction of the CM transitional arrangements;
- use of more representative wording to reduce the likelihood of misinterpretation.

The modification proposal also considered Grid Code warning systems interaction alongside CM Notices which are to be introduced from winter 2016/17 as part of CM transitional arrangements. Consideration was given to whether CM Notices should be incorporated within the Grid Code. However, this was discounted mainly due to the CM being a commercial arrangement, with CM Notices being aimed only at those users participating in the CM rather than at all Balancing Mechanism (BM) participants.

NGET did note a possible disadvantage of the name change, as the existing naming protocol is familiar to those already operating in the market. However, this was considered to be outweighed by the benefits. It is noted in the Report that unfamiliarity with the revised term has already been mitigated to an extent through several discussions with Grid Code stakeholders. NGET is also planning to undertake further external communications with the wider industry if the proposal is approved.

The Report to the Authority notes that GC0093, if approved, would make changes to the Grid Code Glossary and Definitions, OC7, and Balancing Code (BC) 1.5.4.

NGET published an industry consultation on 8 July 2016, which closed on 5 August 2016. NGET reported that four responses were received, with two responses supportive of the change while the other two responses did not think that the change would better facilitate the Grid Code objectives. NGET discussed responses with the respondents to better understand their concerns. Lack of familiarity with the new term and name change on some market participants' IT systems involving a small cost to rectify were identified as potential issues. NGET has confirmed that should the proposal be approved, clear and timely industry communications will be needed in advance of using the new name for the first time.

NGET's recommendation

NGET submitted the Final Report to the Authority on 19 August 2016 and is recommending approval of GC0093.

In NGET's view, the proposal better facilitates applicable Grid Code objectives (i), (ii), (iii) and (iv).

NGET considers that the proposed name change will provide greater clarity to the market and wider stakeholders and therefore help the market respond better, allowing the system to be operated more efficiently and facilitating competition, particularly as new

participants will be involved in the market from winter 2016/17, promoting security of supply and helping the SO's efficient discharge of its obligations.

Our decision

We have considered the issues raised by the modification proposal and in the Final Report dated 19 August 2016. We have considered and taken into account the responses to NGET's consultation on the modification proposal which are included in the Final Report.³ We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the objectives of the Grid Code;⁴ and
- approving the modification is consistent with our principal objective and statutory duties.⁵

Reasons for our decision

We consider this modification proposal will better facilitate Grid Code objectives (i), (ii), (iii), (iv) and (v).

(i) 'to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity'

The modification proposal has reviewed and assessed a key operational aspect of system operation, and provides better clarity on exchange/notification of operational information related to system alerts and warnings to users and wider stakeholders. The market will be better placed to respond, helping the operation of a more efficient, co-ordinated and economical system.

(ii) 'to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity 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)'

The modification proposal provides greater clarity on this first stage of system operational messages, which should help get better response from market participants and the new participants which will enter the market from winter 2016/17.

(iii) 'subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole'

Security of supply and efficiency of system operation should improve as a result of greater clarity and better response to system needs which should result from this modification proposal.

³ Grid Code proposals, final reports and representations can be viewed on NGET's website at:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Modifications/>

⁴ As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, available at:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

⁵ The Authority's statutory duties are wider than matters which NGET must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

(iv) 'to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency'

The modification proposal facilitates NGET, as System Operator, to efficiently discharge their obligations as a result of better clarity and responses from market participants on system warnings.

(v) 'to promote efficiency in the implementation and administration of the Grid Code arrangements.'

The modification proposal makes this operational aspect of the Grid Code clearer for the users and other stakeholders, which will make implementation of the code more efficient.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that Grid Code modification proposal GC0093: '*Assessment of System Warnings*' be made and that the Grid Code is modified as set out in Annex 1 to the report submitted to the Authority.

We have agreed an implementation date of 30 September 2016 with NGET for GC0093.

Min Zhu

Associate Partner – Cost & Outputs and Technical

Signed on behalf of the Authority and authorised for that purpose