

Grid Code Administrator Consultation Response Proforma

GC0143: 'Last resort disconnection of Embedded Generation'

Industry parties are invited to respond to this Code Administrator Consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **17:00** on **5 May 2020** to grid.code@nationalgrideso.com. Please note that any responses received after the deadline or sent to a different email address may not be included within the Final Modification Report to the Authority.

Any queries on the content of the consultation should be addressed to Christine Brown at christine.brown1@nationalgrideso.com

These responses will be included within the Draft Grid Code Modification Report to the Grid Code Panel and within the Final Grid Code Modification Report to the Authority.

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| Respondent: | <i>Jonathan Poley</i> JPoley@ForsaEnergy.com 07833 415 058 |
| Company Name: | <i>Forsa Energy</i> |
| Please express your views regarding the Code Administrator Consultation, including rationale. (Please include any issues, suggestions or queries) | <i>For reference, the Applicable Grid Code objectives are:</i> (a) To permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity (b) Facilitating effective 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); (c) 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; (d) To efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally |

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| | <p>binding decisions of the European Commission and/or the Agency; and</p> <p>(e) To promote efficiency in the implementation and administration of the Grid Code arrangements.</p> |
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Code Administrator Consultation questions

| Q | Question | Response |
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| 1 | <p>Do you believe GC0143 better facilitates the Grid Code Objectives?</p> <p>Please include your reasoning.</p> | <p>No.</p> <p>The nature of implementation, being rushed through, is to its detriment. This modification is discriminatory, will impact competition, and could have unforeseen negative consequences for operation of the grid.</p> |

Specific comments against the objectives:

a) We do not believe that this is an efficient or coordinated approach to managing the current crisis. To suddenly raise an urgent change, with limited consultation and no robust analysis suggests that the ESO is seeking to rely on emergency actions over commercial solutions and over already existing, carefully thought through solutions, that it has had and still has at its disposal.

The DNOs have limited organised, knowledge of the nature of connections on their networks. Recent experience of DNOs similarly implementing demand disconnections caused many unanticipated problems for the system. The demand disconnections regime was well established. This experience highlights the considerable risk that urgently creating a similar regime for generation disconnection without due care and consideration may have far reaching unintended negative consequences.

The result of any actions under this proposal is likely to distort competition in the rest of the market. It is generally accepted that efficiency of a system is enhanced by transparency allowing participants to have equal and adequate knowledge. There appears to be no proposal or mechanism to make these actions transparent to the market. The proposal undermines objective a). To introduce new powers at very short notice, with no obvious implementation or communication plan is not an efficient way to manage the system. At the very least, the ESO should be required to communicate any actions with the relevant DNO and then notify the whole market, using an established communication system like BMRS. (Notwithstanding the economic argument, it would be ill advised to disconnect large swathes of generation without wider participants knowledge such that frequency disturbances can be dealt with effectively).

b) The proposal will have a negative impact on competition. In the context of current industry provisions and as currently proposed it is discriminatory. The actions taken under this proposal will distort competition in generation and supply.

The ESO should be compelled to take all market actions, including via the interconnectors, before any emergency actions are taken. The proposed language does not seem to require all actions over interconnectors, including SO to SO Trades, to be also taken prior to the use of emergency powers.

It is inequitable and unacceptable that no provision has been made for compensation of embedded generators. Their transmission connected counterparts would be compensated as relevant interruptions through a regime that was given adequate time for consideration & review. We are not aware of any other parties that can be cut off under emergency powers with no compensation, so it is unduly discriminatory to let a class of users be treated differently. As well as lost revenues, embedded generators may be exposed to punitive imbalance charges and or contractual penalties with no obvious process for equitable treatment, compelling affected parties to seek out alternative forums for redress.

It is unclear how balance will be maintained in the applications of emergency actions by the DNO. Will they be required to rotate disconnections if a subset of their connected capacity is required to be disconnected? The legal drafting sees the ESO able to

specify which sites are disconnected, but it is unclear how the ESO knows what is connected to make such an instruction. It is also unclear how DNOs identify which sites are BM sites (which are required to be excluded from such instructions). There would need to be communication to all sites about how the ESO and DNOs intend to implement this. Recent experience of DNOs' organised knowledge of embedded generation connected to their networks gives us little comfort that the legal text can be complied with.

The Suppliers will be left out of balance when the generation that they were expecting is not delivered. Unlike demand disconnection, there are no processes in the BSC to adjust imbalance positions as a result of emergency disconnection of generation. This is at a time when suppliers are already facing operational challenges.

- c) While we can see that the aim of this modification is to maintain security of supplies, we do not believe this is a robust, transparent or economically efficient approach. Implementing new measures with limited time and breadth of consultation is a high risk strategy for all involved. It is unclear why ESO has not sought to employ existing, long considered, and widely consulted upon measures that it has to hand.

The demand has been steadily dropping but, the major step took place over a month ago. It is also clear that the change in demand profile may remain for months. The market therefore needs a better considered approach, where technical implications have been thought through, practical application considered, and where the impacted participants can be reasonably compensated. Such a system already exists. ESO may request, (or could have requested some weeks ago) that the Secretary of State use its existing power, under the Fuel Security Code, to create foot-room, or sought commercial services with embedded assets. This would allow the vast majority of the market to operate normally and, at little risk, make it easier for the ESO to balance the system in an economic and efficient manner as it normally does. The adverse impacts of spiralling BSUoS costs would be avoided.

- d) We do not believe that this impacts EU regulations, albeit actions over interconnectors that should be taken prior to emergency actions on embedded generators should be reviewed in this context.
- e) We do not believe the administration of the Grid Code will be affected. However, there are other impacts that Ofgem must take account of under its wider duties:

Safety & the environment – there are embedded generators whose operations are around the control of waste from other productive activities & waste disposal. These sites should be identified and dealt with appropriately in the context of any emergency actions.

DNO Processes - The processes that the DNO's would use if instructed are undefined, untested, and have not been communicated to sites that will be impacted. It is unclear who, will instruct generators, how, and when, and whether notice periods will be provided and/or the legal position of generators that abide or do not (can not?) abide by such instructions. This points to the lack of due consideration for this particular proposal, or to the lack of full transparency in consultation on it.

| Q | Question | Response |
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| | | <p>Consultation – its is unclear how this consultation has been communicated to the full community of embedded generators. We have received this through professional groups, but it is not clear that there has been any attempt to directly contact those affected who may not be members of such groups or subscribe to ESO’s news letters.</p> <p>Cost Benefit – This is a major change to the way the system operates. There does not appear to be any cost/benefit analysis about whether this is the most economic action the ESO could take given the tools currently available to it, or any alternative approaches.</p> <p>Reasonableness - Embedded generators need more information around the process of implementing the proposal in context of the commercial, legal and regulatory frameworks in which they operate, so that they can plan and manage their own businesses, such as notifying staff on sites, counter parties, etc.</p> |
| 2 | <p>Do you support the proposed implementation approach?</p> | <p>We do not support the proposed approach.</p> <p>We are concerned about the lack of preparation and consideration of the proposals (as is evident from the consultation document), the practical risks in implementation that may manifest themselves (as have been demonstrated recently when similar disconnection processes were being implemented), the discriminatory nature of the actions being proposed, the apparent oversight or dismissal of fully considered alternatives to which the authorities have access, or the investigation of alternative new approaches.</p> <p>If this proposed change is still considered to be essential, it should be for a much shorter period, not until October. This would allow time for the detail for implementation to be better considered and finessed, alternatives investigated (including existing emergency powers and processes), and allow robust consultation & consideration procedures to be employed.</p> |
| 3 | <p>Do you have any other comments in relation to GC0143?</p> | <p>We see this as a symptom of NGESO not fully engaging with embedded generators or prioritising over recent years, the changes necessary to allow them to efficiently join the BM.</p> |