

Modification proposal:	Grid Code GC0132: Updating the Grid Code governance process to ensure we capture EBGL change process for Article 18 Terms and Conditions (T&Cs)		
Decision:	The Authority ¹ directs ² that the WAGCM1 modification to the Grid Code be made		
Target audience:	National Grid Electricity System Operator (NGESO), the Grid Code Review Panel, Grid Code users and other interested parties		
Date of publication:	23 June 2020	Implementation date:	25 June 2020

Background

On 8 October 2019 we confirmed, upon satisfaction of certain conditions, that some provisions of the Grid Code form the national terms and conditions (T&C) related to balancing³ required by Article 18 of the Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (the EBGL Regulation).⁴ One of the conditions is the completion of GC0132.

Once all the conditions are met, the T&C take effect. Any future changes to the T&C related to balancing must be made in accordance with Articles 4 to 7 and Article 10 of the EBGL Regulation.

Currently, the change process in the Grid Code is not fully aligned with the change process in the EBGL Regulation. The EBGL requires among others that a one-month consultation takes place and gives responsibility to the Electricity System Operator (ESO) to give justification for the inclusion or omission of consultation responses.⁵ The approval of a modification to the T&C must also come from the Authority.

The modification proposal

The ESO (the proposer) raised this modification proposal on 26 September 2019. GC0132 proposes to amend a number of sections of the Grid Code to align its modification process with the amendment process of the EBGL Regulation for a Grid Code modification affecting the T&C related to balancing. The changes to the Grid Code governance process would include:

1. Introducing a one-month consultation;
2. Providing a sound justification as to why any responses to the consultation were included or omitted from the final modification;

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.

³ Our 8 October 2019 decision is accessible at: <https://www.ofgem.gov.uk/publications-and-updates/decision-transmission-system-operators-proposal-terms-and-conditions-related-balancing>

⁴ Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing. The EBGL came into force on 18 December 2017. Accessible at: <https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32017R2195&from=EN>

⁵ In accordance with our multiple TSO allocation, available at: <https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-balancing-regulation-within-gb>

3. Requiring the Authority approval on any modification that affect the T&C, hence removing the option for self-governance; and
4. Inserting a two months deadline for the resubmission of modifications that affect the T&C, following a send back direction from the Authority.

The proposer considers GC0132 would better facilitate the achievement of the applicable Grid Code objective (iv)⁶ as it would capture the required EBGL Regulation processes in the Grid Code. This allows for efficient management of the Grid Code when an amendment to the T&C is required and ensures alignment of the Grid Code and EBGL Regulation.

Alternative Proposals

Three alternative proposals were raised by workgroup members for GC0132. These proposals were accepted and formally became WAGCM1, WAGCM2, and WAGCM3.

WAGCM1 is the same as the original proposal with the exception that it broadens the scope of modifications affected by this change process. The original modification only affects those modifications deemed to impact the T&C, whereas under WAGCM1 all Grid Code modifications would undergo the necessary consultation period and the actions on any responses to the consultation would be justified. However, urgent and fast-track modifications can be excepted from this process should the modification not affect the T&C related to balancing. This alternative was raised as it intends to reduce the potential risk that modifications that do affect the T&C may not be identified as such and therefore would not undergo the necessary change process.

WAGCM2 is the same as the original proposal with the exception that it involves the delegation of duties from the ESO to the Grid Code Review Panel (GCRP). Under WAGCM2, the duty to justify the inclusion or omission of consultation responses would be carried out by the GCRP and not the ESO.

WAGCM3 is a combination of WAGCM1 and WAGCM2. This means that both changes to the original introduced by WAGCM1 and WAGCM2 apply in WAGCM3.

At a workgroup vote, workgroup members concluded that all solutions better facilitate the applicable Grid Code objectives compared to the baseline. They also agreed, by majority, that WAGCM1 was the best option.

Grid Code Review Panel recommendation

At the GCRP meeting on 22 April 2020, a majority of the GCRP considered that GC0132 would better facilitate the applicable Grid Code objectives and the GCRP therefore recommended its approval. The GCRP agreed by majority and recommended that WAGCM1 should be implemented. The GCRP unanimously agreed WAGCM1 better facilitated the applicable Grid Code objective (iv) and voted, by majority, that it was neutral against all other objectives.

⁶ Grid Code objective (iv) is to efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the cooperation of Energy Regulators.

Our decision

We have considered the issues raised by the modification proposal and in the Final Modification Report dated 7 May 2020. We have considered and taken into account the responses to the industry consultation on the modification proposal which are included in the Final Modification Report.⁷ We have concluded that:

- implementation of the WAGCM1 modification proposal will better facilitate the achievement of the objectives of the Grid Code;⁸ and
- approving the modification is consistent with our principal objective and statutory duties.⁹

Reasons for our decision

We consider that all modification proposals will better facilitate the applicable Grid Code objective (iv) compared to the baseline and have a neutral impact on the other objectives. On balance, we believe that WAGCM1 better facilitates Grid Code objective (iv) when compared with the original and the other WAGCMs.

(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 GCRP agreed by majority that the Original and the WAGCMs better facilitate the applicable Grid Code objective (iv) compared to the baseline. Moreover, the GCRP agreed by majority that WAGCM1 better facilitates the applicable Grid Code objective (iv) compared to the Original and the other WAGCMs.

We agree with the assessment of the GCRP that all modifications better facilitate the applicable Grid Code objective (iv) compared to the baseline by ensuring that the change process in the Grid Code is aligned with that of the EBGL Regulation. This ensures that any Grid Code modification, which affects the T&C related to balancing, is carried out in a process that is compliant with the EBGL Regulation.

We also believe that WAGCM1 better facilitates this objective compared to WAGCM2 and WAGCM 3. Those WAGCMs, by delegating duties from the ESO to the GCRP, would bring complexity to the administration of the Grid Code. While this was required for the Balancing & Settlement Code to delegate some responsibilities from the ESO to the BSCCo through P392, this seems unnecessary in this instance as the ESO is the administrator of the Grid Code.

We believe that both the Original and WAGCM1 better facilitate the applicable Grid Code objectives compared to the baseline as they introduce an EBGL compliant process for the T&Cs. On balance, we believe that WAGCM1 better facilitates the applicable Grid Code objective (iv) compared to the Original as it further reduces the risk that Grid Code modifications inadvertently fail to follow the required EBGL Regulation change process.

⁷ Grid Code proposals, final reports and representations can be viewed on NGENSO's website at: <https://www.nationalgrideso.com/industry-information/codes/grid-code/modifications>

⁸ As set out in Standard Condition C14(1)(b) of the Electricity Transmission Licence, available at: <https://epr.ofgem.gov.uk/>

⁹ The Authority's statutory duties are wider than matters which the Grid Code Panel Review must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

While this will also mean that some modifications not related to EBGL will follow an aligned process, we believe this to be a more beneficial approach overall.

It is important to note that the implementation of WAGCM1 does not preclude the possibility of urgent or fast-track modifications varying the consultation process if the content of the modification does not impact the T&C related to balancing. For these reasons, and on balance, we agree with the GCRP's recommendation to approve WAGCM1.

We therefore conclude that while all modifications better facilitate the applicable Grid Code objective (iv), WAGCM 1, on balance, better facilitates this objective compared to the Original and the other WAGCMs.

Observations

Following this decision, there will be some differences in the governance of code modifications in the Grid Code, in the Connection and Use of System Code and in the Balancing & Settlement Code (as approved under CMP323 and P392 respectively).

On balance, we believe WACM1 is the most beneficial change of those proposed under the Grid Code. Nevertheless, we believe it is important that the GCRP and the Code Administrator monitor the impact of implementing WAGCM1 on the efficiency of the Grid Code arrangements. Should this monitoring suggests that it would be more appropriate to align the Grid Code governance with the process in the other codes, we would be happy to consider a further modification to the Grid Code.

Decision notice

In accordance with Standard Condition C14 of the Transmission Licence, the Authority hereby directs that Grid Code modification proposal Grid Code GC0132: *'Updating the Grid Code governance process to ensure we capture EBGL change process for Article 18 Terms and Conditions (T&Cs)'* WAGCM1 be made.

Leonardo Costa
Senior Manager SO/DSO

Signed on behalf of the Authority and authorised for that purpose