

Modification proposal:	<b>Grid Code GC0144: Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b) ("GC0144")</b>		
Decision:	The Authority <sup>1</sup> directs <sup>2</sup> that the proposed 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:	12 May 2021	Implementation date:	26 May 2021

## Background

On 21 January 2020 we received amended proposals from the Electricity System Operator ("ESO") in accordance with Article 36(1) and Article 39(1) of the Commission Regulation (EU) 2017/2196<sup>3</sup> establishing a network code on emergency and restoration (the "NCER Regulation"). These proposals relate to the market suspension and restoration rules and also the settlement rules for market suspension.

In response to these proposals, we advised the ESO that the provisions of Article 35(1)(b) of the NCER Regulation were not adequately reflected in the GB industry codes. Article 35(1) describes the situations in which Transmission System Operators ("TSOs") may suspend the market. Article (35)(1)(b) specifically provides:

*"A TSO may temporarily suspend one or more market activities laid down in paragraph 2 where:*  
*(b) the TSO has exhausted all options provided by the market and the continuation of market activities under the emergency state would deteriorate one*

<sup>1</sup> 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.

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

<sup>3</sup> Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration. The NCER Regulation came into force on 18 December 2017.

*or more of the conditions referred to in Article 18(3) of Regulation (EU) 2017/1485;”*

Article 36(4) of the NCER Regulation then requires the TSOs to ensure the market suspension situations are defined into clear and objective parameters. Prior to GC0144, these parameters were not sufficiently reflected in the GB industry codes, therefore absolute clarity is not available to stakeholders as to the conditions under which the market could be suspended.

Additionally, the Grid Code does not currently clarify the conditions under which the Trans-European Replacement Reserves Exchange (“TERRE”) market could be suspended by the ESO.

### **The modification proposal**

GC0144 seeks to rectify these issues by adding two new sections of legal text to the Grid Code. Firstly, GC0144 adds a new section to BC2.9.8 clarifying when the GB system will be considered to be in an emergency state and the conditions in which the market will be suspended as a result. GC0144 also adds a new section to BC4.10 which clarifies the circumstances in which the TERRE market will be suspended in GB.

GC0144 does not change any operating processes relating to market suspension and restoration, it only provides clarity to stakeholders as to the situations in which the market may be suspended by the ESO.

There were no alternatives to the original solution proposed.

### **Grid Code Review Panel recommendation**

The Grid Code Review Panel (“GCRP”) unanimously recommended that GC0144 should be implemented. To this end, the GCRP unanimously agreed that GC0144 better facilitates applicable objective (iv). A majority of GCRP members also agreed that GC0144 better facilitates applicable objective (iii).

### **Our decision**

We have considered the issues raised by the modification proposal and in the Final Modification Report dated 07 April 2021. We have considered and taken into account the

responses to the industry consultation on the modification proposal which are included in the Final Report<sup>4</sup>. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the Grid Code;<sup>5</sup> and
- approving the modification is consistent with our principal objective and statutory duties.<sup>6</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate Grid Code objectives (iii) and (iv), and has a neutral impact on the other applicable objectives.

#### ***(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***

A majority of the GCRP agreed that GC0144 better facilitates applicable objective (iii). This is because the modification provides important administrative changes that provide transparency and clarity to stakeholders on the circumstances in which the market may be suspended. We agree with the assessment of the GCRP. We also consider that additional clarity for industry on the criteria for market suspension promotes efficiency and security of the GB system. This is because market suspension situations occur at times of security risk to the GB system, meaning any improvement in the efficiency of stakeholder response in these situations conveys a slight benefit to the overall security of the system.

#### ***(iv) 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***

The GCRP unanimously agreed that GC0144 better facilitates applicable objective (iv). This is because the modification improves the alignment of the GB industry codes with

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<sup>4</sup> Grid Code proposals, final reports and representations can be viewed on NGESO's website at: <https://www.nationalgrideso.com/industry-information/codes/grid-code/modifications>

<sup>5</sup> As set out in Standard Condition C14(1)(b) of the Electricity Transmission Licence, available at: <https://epr.ofgem.gov.uk/>

<sup>6</sup> 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.

the provisions of the NCER Regulation by clarifying the market suspension circumstances. We agree with the assessment of the GCRP in this regard and have nothing further to add to this assessment.

### **Decision notice**

In accordance with Standard Condition C14 of the Transmission Licence, the Authority hereby directs that Grid Code modification proposal Grid Code GC0144: '*Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b)*' be made.

**Adam Gilham**

**Senior Manager – ESMS**

Signed on behalf of the Authority and authorised for that purpose