

# Joint European Stakeholder Group



Tuesday 8 June 2021  
Meeting 58

# 1. Welcome & Introductions

Garth Graham  
Independent Chair

# Agenda

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	Title	Lead	Time
1.	Welcome & Introductions	Chair	10:00 - 10:05
2.	TCA Update	Camille Gilesnan & Osaaf Syed, NGESO	10:05 - 10:20
3.	CEP 6(4) update	Joseph Henry, NGESO	10:20 - 10:30
4.	OFGEM submissions Plan On a Page update	NGESO	10:30 - 10:35
8.	Review of Actions log	Andrew Hemus, Tech Secretary	10:35 - 10:40
9.	Future Meeting Dates & Agenda Items	Andrew Hemus, Tech Secretary	10:35 - 10:40
10.	Stakeholder Representation	Chair	10:40 - 10:45
11.	Any Other Business	All	10:45 - 11:00

## **2. TCA Update**

Camille Gilesnan & Osaaf Syed, NGENSO



A landscape photograph featuring a valley with a river and mountains in the background. The scene is illuminated by a bright sun, creating a golden glow. Several bright, glowing yellow lines, representing energy or data, curve across the valley floor from the left towards the right. The sky is filled with soft, white clouds.

# NGESO TCA Update on Technical Procedures

Camille Gilsenan & Osaaf Syed

# Recap on Technical Procedures Required for Electricity Trading Arrangements

Procedure	Lead	Support	What does it look like? What does it cover?	Timeframe for entry into operation
<b>Day Ahead Capacity Calculation</b>	<ul style="list-style-type: none"> <li>UK (NGESO to lead for UK) and EU TSOs</li> </ul>	<ul style="list-style-type: none"> <li>NGESO will need support from interconnectors, connecting TSO, ENTSOE etc</li> </ul>	<ul style="list-style-type: none"> <li>Current assumption is that it could look a bit like the CACM framework, but not necessarily.</li> <li>Needs to hit all the areas mentioned in the TCA</li> <li>Scope of this work is outlined in the TCA and TSO letters (Annex 2)</li> </ul>	<ul style="list-style-type: none"> <li>Feedback received to date is that this technical procedure should run in parallel with the day ahead LVC procedure (which is required <b>April 2022</b>)</li> </ul>
<b>Capacity Allocation and Day Ahead target model</b>	<ul style="list-style-type: none"> <li>UK (ICs to lead for UK) and EU TSOs</li> </ul>	<ul style="list-style-type: none"> <li>NGESO to support</li> </ul>	<ul style="list-style-type: none"> <li>Allocation of capacity across all timeframes</li> <li>The Day Ahead arrangements are the priority</li> <li>For other timescales UK/EU TSOs have been requested to propose timescales for the development of the technical procedures for the remaining timeframes</li> <li>Scope set out in TCA Annex ENER-4 and TSO letters</li> </ul>	<ul style="list-style-type: none"> <li>April 2022 for day ahead technical procedure</li> <li>Other timeframes TBC</li> </ul>
<b>Balancing</b>	<ul style="list-style-type: none"> <li>UK (NGESO to lead for UK) and EU TSOs</li> </ul>	<ul style="list-style-type: none"> <li>NGESO will need support from the interconnectors, connecting TSOs, BM and Non BM parties, ENTSOE etc</li> </ul>	<ul style="list-style-type: none"> <li>What is the requirement</li> <li>What product/products do we need for efficient cross-border balancing</li> </ul>	<ul style="list-style-type: none"> <li>Timeframe to be proposed by EU and UK TSOs (dependences on TERRE and MARI to be investigated)</li> </ul>
<b>Other Procedures Required</b>	<ul style="list-style-type: none"> <li>Specialised Committee to provide recommendations</li> </ul>	<ul style="list-style-type: none"> <li>NGESO, Interconnectors, connecting TSOs, ENTSOE, BM and Non BM parties and other industry participants etc</li> </ul>	<ul style="list-style-type: none"> <li>Other aspects of the TCA</li> </ul>	<ul style="list-style-type: none"> <li>TBC</li> </ul>

# Technical Procedures

## High level plan for Day Ahead Capacity Calculation

Timeframe	Day Ahead Capacity Calculation – Next Steps
June 2021	Continue bilateral engagement with UK TSOs, EU TSOs, ENTSOE, BEIS and OFGEM <i>NB – Plan to be discussed at workgroup on 11th June</i>
June 2021	First Day Ahead Capacity Calculation Workgroup with UK TSOs, EU TSOs and interconnectors to take place 11 <sup>th</sup> June, 10:00 – 11:30
June 2021	Weekly recurring workgroup sessions (90 mins per week)
July 2021	Open industry consultation on Day Ahead Capacity Calculation technical procedure prior to submission
August 2021	Technical Procedure submitted to RA for opinion
November 2021	Technical Procedure and RA opinion submitted to Specialised Committee for opinion
April 2022	Entry into operation of technical procedure

# **3. CEP 6(4) update**

Joseph Henry, NGENSO



# Clean Energy Package – Article 6(4) – Pricing Proposal

08 June 2021

# Pricing Proposal under Article 6(4) for Pay as Clear

- Article 6(4) obliges TSOs to settle balancing energy (utilisation) on a pay-as-clear (PAC) basis for standard and specific balancing products.
- Currently all balancing products use a pay-as-bid (PAB) settlement for balancing energy.
- PAC is where all providers receive the most expensive bid that has been accepted, whereas PAB is where all providers who are accepted receive the price they have bid.

## When is PAC preferable to PAB?

- When the market is homogenous
- When the market is competitive
- When there is perfect information available

Evidence shows when these three **key elements are not in place**, a move to PAC results in a **more expensive outcome**.

# Pricing Proposal under Article 6(4) for Pay as Clear

## What is the ESO's plan?

- We have been in dialogue with Ofgem around the possibility of derogations for products against Article 6(4).
- As well as derogations being a solution, there is an opportunity to develop a pricing proposal, outlining how PAC would work, and where PAB would be applicable.

## Post Brexit

- Certain aspects of the Clean Energy Package have been retained in GB law through the Statutory Instruments.
- The original interpretation of Article 6(4) was that only products that had been deemed specific through an EBGL Article 26 process were under the obligation to be PAC (unless derogated from the requirements).
- STOR and the BM were approved to remain PAB as they were designated as specific.
- All other balancing products were deemed out of scope as they were not due to become specific until MARI was implemented, or there were no standard products to align them to (e.g. Frequency Response products).
- Due to the changes following the Statutory Instrument, all GB balancing products are now deemed to be specific and should be PAC

## Why a pricing proposal?

- Negates the need to produce numerous derogations for each balancing product
- Future proof – sets clear process for development of future balancing products
- Mirrors the pricing proposal put forward by ACER
- ESO and Ofgem agree that this is the most streamlined way to approach this issue

# Pricing Proposal under Article 6(4) for Pay as Clear

## Why is this important?

- A move to PAC would mean a significant change to current arrangements
- System Changes to facilitate PAC would be cumbersome and expensive
- Change could cause issues with legacy products

## What progress has been made so far?

- Issue has been discussed at length by ESO and Ofgem
- ESO are currently developing a draft Pricing Proposal, which they hope to submit to Ofgem for feedback, before engaging industry and making a final submission
- Pricing Proposal draft currently sets out:
  - Legacy products remain as is
  - FCR products are out of scope (in line with Acer PP)
  - New Reserve products should be developed to be PAC unless it can be evidenced that they do not meet the conditions that result in PAB being more efficient

## Are Frequency Response Products in Scope?

- No – they do not align to standard products

# Pricing Proposal under Article 6(4) for Pay as Clear

## What Industry Engagement is Planned?

- Webinars
- Consultation
- Regular and effective communication

## Provisional Timeline (subject to change)

Milestone	Date
Drafting and Development	June 2021
Draft Submitted to Ofgem for Feedback	June-July 2021
Initial Industry Engagement	July 2021
Consultation	August 2021
Final Submission to Ofgem	September 2021

# **4. OFGEM submissions Plan On a Page update**

NGESO



# Forward view of consultations

08 June 2021

# Upcoming consultations

	June	July	August	September
<b>Dynamic Containment (automation)</b>	Article 18 consultation close and submit final docs to OFGEM		Article 18 decision from OFGEM	
<b>Dynamic Containment (high frequency)</b>	Article 18 consultation open	Article 18 consultation close and submit final docs to OFGEM		Article 18 decision from OFGEM
<b>Dynamic Regulation / Dynamic Moderation</b>			Article 18 consultation open	Article 18 consultation close and submit final docs to OFGEM
<b>Reserve Reform</b>			Consultation Open	Consultation close and submit final docs to OFGEM
<b>Article 52 consultation</b>	Consultation open	Consultation close and submit final docs to OFGEM		OFGEM decision

Subject to change

# 5. Review of Actions log

Andrew Hemus  
JESG Technical Secretary

# JESG Standing items

ID	Topic	Lead Party
S1	Continue to review the membership of the JESG and engage additional industry parties where appropriate.	JESG Chair
S2	Prepare a commentary / comparison document between the Network Code and the existing GB arrangements at appropriate stages in the Code development for each Network Code.	NGET / Ofgem / BEIS
S3	Share any intelligence about how other member states are approaching demonstrating compliance through information gained from other government departments, regulators or parent companies.	BEIS / Ofgem / Industry parties with European parent companies

# JESG Open Actions

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ID	Topic	Lead Party	Status	Update
131.	GB Interconnectors Capacity Calculation Methodology (NTC) Wider Policy Queries – 4) Better understanding on the potential impact on BSUoS and wider impacts on the wholesale market.	Claire Huxley (NGESO)	Open	The methodology is currently being finalised following the consultation.

# 6. Future Meeting Dates & Agenda Items

Andrew Hemus  
JESG Technical Secretary



# Future JESG Meetings

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- As always registration is required and will be opened through the JESG Weekly updates.
- Stakeholders are invited to put forward agenda items for the forthcoming JESG meetings:

Date	Proposed Agenda Items
Tuesday 13 July	
Tuesday 10 August	

# 7. Stakeholder Representation

All

# 8. AOB