

Modification proposal:	<b>Grid Code GC0133: Timely informing of the GB NETS System State Condition ("GC0133")</b>		
Decision:	The Authority <sup>1</sup> has decided to reject this modification proposal <sup>2</sup>		
Target audience:	National Grid Electricity System Operator (NGESO), the Grid Code Review Panel, Grid Code users and other interested parties		
Date of publication:	17 February 2022	Implementation date:	N/A

## Background

The current conditions of the 'System State,' which the electricity system operator (ESO) is required<sup>3</sup> – in real-time operations – to monitor and determine for the Great British ("GB") national electricity transmission system ("NETS"), are currently only visible to other transmission system operators ("TSOs")<sup>4</sup> and not to other market participants.<sup>5</sup>

We received the original final modification report ("FMR") for code modification GC0133<sup>6</sup> (the "Proposal") on 11 May 2020, which was raised by SSE Generation Limited (the "Proposer"), to rectify the issue outlined. We assessed GC0133 and made a decision to send it back as it did not provide sufficient evidence on the practical benefits of the modification to market participants, outside of broadly improving transparency<sup>7</sup>. The Proposer has published an updated FMR for code modification GC0133<sup>8</sup> on 11 October 2021 which seeks to update on the benefits of the modification to market participants and stakeholders and the challenges to the ESO of providing this information.

<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> In accordance with Article 19(1), (2) and (3) of the system operation guidelines (SOGL).

<sup>4</sup> The ESO was required to provide other TSOs – via the ENTSO-E platform – the System State conditions in line with Article 19(4), 42(1)(e), and 152(3)(a) of SOGL.

<sup>5</sup> This includes generators, suppliers and other market participants (as well as the Department for Business Energy and Industrial Strategy (BEIS), the Office of Gas and Electricity Markets (Ofgem), the Distribution Network Operators (DNOs), interconnectors, etc.).

<sup>6</sup> <https://www.nationalgrideso.com/industry-information/codes/grid-code-old/modifications/gc0133-timely-informing-gb-nets-system-state>

<sup>7</sup> [Authority decision to 'send back' Grid Code modification proposal 0133 'Timely informing of the GB NETS System State Condition' | Ofgem](#)

<sup>8</sup> [GC0133 Final Modification Report](#)

## **The Proposal**

The Proposal seeks to rectify the defect identified by the Proposer: that market participants outside of other TSOs currently do not have visibility of the system state conditions. To achieve this, the Proposal seeks to place an obligation on the ESO<sup>9</sup> to – using reasonable endeavours and in a timely manner – update Elexon’s balancing mechanism reporting service (“BMRS”) webpage<sup>10</sup> whenever the GB NETS system state condition changes.<sup>11</sup>

## **Grid Code Review Panel recommendation**

The Grid Code Review Panel (“the Panel”) first met on 22 April 2020 to carry out their recommendation vote. The Panel vote was split evenly and the Panel chair did not elect to use the casting vote. We received the GC0133 FMR on 11 May 2020. On 4 September 2020 we decided to send back the FMR on grounds it contained insufficient information for us to make a decision. The Panel subsequently convened a Workgroup to address the issues raised in our send back letter.

The Workgroup view and recommendation was mixed and this continued into the second code administrator consultation from 13 April to 13 May 2021. Two of the three consultation respondents supported the Proposal in that it better facilitated the Grid Code objectives. The other respondent was of the view that the work carried out by the Workgroup was unsatisfactory in addressing the issues raised in the Ofgem send back letter and therefore did not support the Proposal.

At the Grid Code Review Panel meeting on 30 September 2021, the Panel member votes were again split between maintaining the status quo (“the Baseline”) and implementing the Proposal. The Panel Chair was asked to make the casting vote<sup>12</sup> and so the recommendation in the revised Final Modification Report (FMR) was to reject the Proposal in favour of retaining the baseline.

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<sup>9</sup> As transmission System Operator (TSO) for GB.

<sup>10</sup> <https://www.bmreports.com/bmrs/?q=help/about-us>

<sup>11</sup> Be that a degradation or an improvement in the ‘System State.’

<sup>12</sup> In accordance with governance rule [GR11.4](#) where the Chair is required to use their casting vote, the Chair’s vote can only be used to vote against the Grid Code Modification Proposal in favour of maintaining the status quo.

## Our decision

We have considered the issues raised by the Proposal in the FMR dated 11 October 2021. We have considered and taken into account the responses to the industry consultation on the modification proposal which are included in the FMR. We have concluded that on balance:

- implementation of the Proposal will not better facilitate the achievement of the objectives of the Grid Code.<sup>13</sup>

## Reasons for our decision

We consider the Proposal will have, on balance, a greater negative impact on Grid Code objective (iii) than the positive impact identified on Grid Code objective (ii). The Proposal has a neutral impact on the other applicable objectives.

***(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)***

We believe GC0133 to slightly better facilitate objective (ii) compared to the Baseline. Whilst we acknowledge that the Proposal could, in principle, enhance competition within electricity markets by increasing the transparency around the current state of the system, we do not believe the FMR has adequately outlined the specific benefits of the proposal. The FMR outlines that publishing this data would allow stakeholders to make more informed decisions, leading to better functioning markets and lower bills for the consumer. However, further detailed information on how specific market participants could use the system state updates in practice, or a demonstration of what positive steps they could take upon receiving these updates to facilitate further competition, as requested in our send back letter, was not provided. Several panel members had similar views in acknowledging that, while improving system reporting communication is beneficial in principle, the practical benefits of this modification proposal are not clear.

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<sup>13</sup> As set out in Standard Condition C14(1)(b) of the Electricity Transmission Licence, available at: <https://epr.ofgem.gov.uk/>

***(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***

There is a potential risk that publishing system state information – without explanatory information – could result in market participants taking inefficient actions, which may reduce system security and efficiency. This could result in less efficient operation and security of the system. For example, panel members raised concerns about publishing an ‘alert’ system state<sup>14</sup> status. By making this information public, market participants may want to respond to incidents on the transmission system, as signalled by the status. However, the ESO may not be able to provide specific reasons or context<sup>15</sup> as this could require sharing commercially sensitive information. Without this additional commentary, market participants could misinterpret the signal status and act in a way that would not be conducive to supporting the security and efficient operation of the system.

System state information, such as indicating an ‘alert’ status, does not provide a clear actionable message to market participants and could be interpreted incorrectly. Therefore, we do not believe there is overall value in sharing system state information, particularly where consequential actions being required by stakeholders were never originally envisaged<sup>16</sup>, and could result in market participants taking inefficient actions – reducing the efficiency and security of the system.

In addition, several members of the panel raised concerns that there is a potential risk of media misreporting and/or misinterpretation of the system state to the public. We note the amendment to the SOGL definition of ‘Alert state’ to ‘Awareness state’ that has been proposed to minimise the risk of media attention and potential misreporting. However, without further commentary to explain the system state we consider that a material risk of misinterpretation remains. We are in agreement with the view of the ESO; to share, fully explain and deal with any resulting dialogue about the system state will be an additional cost.

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<sup>14</sup> ‘Alert’ state means the system state in which the system is within operational security limits, but a contingency from the contingency list has been detected and in case of its occurrence the available remedial actions are not sufficient to keep the normal state

<sup>15</sup> Whilst the legal text of the modification does not require the ESO to provide any ‘commentary,’ we believe that if the system state conditions are published, there could be an expectation for ESO to provide an explanation for changes in system state.

<sup>16</sup> In the view of the ESO and as set out in the European System Operation Guideline, the system state was designed by ENTSO-E to allow sharing of operational information only between neighbouring TSOs to aid coordinated system operation. This particularly applied to the ‘Alert’ status.

## **Decision notice**

We note and support efforts to increase transparency across all industry codes. However, we consider the transparency benefits of GC0133 to be outweighed by the potential security risk to industry of making this information available. Despite providing further opportunity in our send back request, we remain unconvinced that GC0133 practically benefits competition in any meaningful way.

In accordance with Standard Condition C14 of the Transmission Licence, the Authority has decided that the modification proposal Grid Code GC1033: 'The timely informing of GB NETS System State Condition' should not be made.

**Adam Gilham**

**Senior Manager - ESMS**

Signed on behalf of the Authority and authorised for that purpose