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Dear Trisha,

Grid Code Modification Proposal GC0160 'Grid Code Changes for BSC Modification P448: "Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges" – decision on Urgency

GC0160 was raised by SSE plc on 28 September 2022.¹ Following the Grid Code Review Panel meeting on 29 September 2022, we² received a request from the Panel Chair on 29 September 2022 that GC0160 be treated as an Urgent Modification Proposal.

This letter sets out our decision that Modification Proposal GC0160 should be progressed on an urgent basis.

Background

Due to the war in Ukraine and gas shortages in Europe, there is a significant risk that gas shortages could occur during the winter 2022/23 in Great Britain ('GB'). As a result, there is a possibility that GB could enter into a Gas Supply Emergency.

If a Gas Supply Emergency occurs, the Gas System Operator ('GSO'), in close cooperation with the Network Emergency Coordinator ('NEC'), will take action in accordance with the

¹ [GC0160 - Grid Code Changes for BSC Mod P448: "Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges" | National Grid ESO](#)

² 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.

Gas Safety Management Regulations³ to address a significant gas safety concern and follow the procedure for a network gas supply emergency.⁴ In the event that GB reaches Stage 2 in this procedure, Firm Load Shedding of gas would be applied to the largest gas users connected to the gas system. This will likely be large gas-fired power stations which produce vast amounts of electricity to the National Electricity Transmission System ('NETS').

If gas fired power stations have their gas supply curtailed in the event of a Gas Supply Emergency, they will likely be exposed to Imbalance Charges (plus associated Credit requirements) if they have sold their power ahead of time and are expected to deliver this power. These Imbalance Charges are likely to be high as the Electricity System Operator ('ESO') would have to instruct other plant or demand side response in order to replace the lost power expected from the curtailed gas-fired generators. These high imbalance prices and large imbalance volumes could result in potential insolvency of gas-fired generators if a Gas Supply Emergency occurs.

GC0160 Overview and request for Urgency

In GC0160, the proposer has proposed to address the high Imbalance Charges and Credit Cover requirements risks, by allowing Firm Load Shedding instructions to be settled as electricity Bids. Therefore this proposed solution is primarily a BSC Modification, P448 'Mitigating Gas Supply Emergency Risks'.⁵ As a result the proposed BSC modification requires Modifications to the Grid Code. This proposed solution requires Physical Notifications (PNs) that are submitted to the ESO by gas fired generators in a gas curtailment situation, to reflect the expected output of the unit as at the time prior to the start of the gas interruption.

The proposer requested that the Panel treat this modification as urgent. In support of their request, the Proposer submitted that if not urgently addressed this will cause:

- A significant commercial impact on parties, consumers or other stakeholder(s)
- A significant impact on the safety and security of the electricity and/or gas systems

Panel View

At the Grid Code Review Panel meeting on 29 September 2022, the Panel voted unanimously to recommend to Ofgem that GC0160 should be progressed as an Urgent Modification Proposal.

³ A guide to the Gas Safety (Management) Regulations 1996. Guidance on Regulations - L80 (hse.gov.uk)

⁴ [National Grid Gas's Procedure for Network Gas Supply emergency document approved by the NEC \(May 2021\)](#)

⁵ [P448 'Mitigating Gas Supply Emergency Risks' - Elexon BSC](#)

The Panel stated that:

- They unanimously agreed this is an imminent issue that has a significant impact on safety and security of the electricity and/or gas systems and therefore meets Ofgem's Urgency criteria (b)
- They agreed by majority that this is an imminent issue that has a significant commercial impact on parties and consumers and therefore meets Ofgem's Urgency criteria (a)

The Panel also noted that the request for Urgency for GC0160 is directly linked to the simultaneous request for urgency of P448 BSC modification.

Our Views

In reaching our decision on the urgency of GC0160 we have considered the details within the Proposal, the justification for urgency, the views of the Panel, and we have assessed the request against the urgency criteria set out in Ofgem's published guidance.

We are satisfied that progressing GC0160 is related to an imminent or current issue. In particular, the criteria in our guidance that are relevant to our urgency decision are criteria: (a) a significant commercial impact on parties, consumers or other stakeholder(s); and (b) a significant impact on the safety and security of the electricity and/or gas systems.

In our view, GC0160 seeks to address the risks that could occur to gas fired generators if a Gas Supply Emergency was to occur. If GC0160 is not addressed under Section GR. 23 of the Grid Code (Urgent Modifications) on an urgent basis, this could have a significant commercial impact on gas fired generators and a significant impact on the safety and security of the electricity and/or gas systems.

We therefore agree to the Panel's request to give urgent consideration. We are also satisfied with the broad urgent timetable that has been set out. We note that this timetable requires strong coordination with the urgent timetable for BSC Modification P448 and where possible these workgroup meetings should be joint. We also expect that the timelines for these two Modifications align as closely as possible and that the Final Modification Reports be sent to us as soon as practicable. After the BSC panel on the 29 September 2022, timelines were amended to include two extra working groups on 5 and 6 October 2022. As a result, the deadline for the Final Modification Report to be sent to the Authority will now be the 22 November 2022.

For the avoidance of doubt, in granting this request for urgency, we have made no assessment of the merits of the Modification and nothing in this letter in any way fetters our discretion in respect of this Modification proposal.

Yours sincerely,

Grendon Thompson

Head of Wholesale Market Management

Duly authorised on behalf of the Authority