

Code Administrator Consultation Response Proforma**GC0160: Grid Code Changes for BSC Mod P448: "Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges"**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to grid.code@nationalgrideso.com by **5pm** on **18 November 2022**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Milly Lewis Milly.Lewis@nationalgrideso.com or grid.code@nationalgrideso.com

If you would like more information on the BSC Modification P448 or would like to respond to the P448 Consultation, please click [here](#).

Respondent details	Please enter your details
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I wish my response to be:

(Please mark the relevant box)

 Non-Confidential Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable Grid Code Objectives are:

- a) *To permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity*
- b) *Facilitating effective 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);*
- c) *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;*
- d) *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; and*
- e) *To promote efficiency in the implementation and administration of the Grid Code arrangements*

For reference, (for consultation questions 4 & 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe’s security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the ESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions		
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe the Original solution better facilitates:
		Original <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		The change better fulfils the following objectives:
		a) Positive - The ESO should be able to operate the system in an economic and efficient manner with more power station availability if they have not gone out of business as a result of a Stage 2 NGSE event.
		b) Positive - The design of the mod will support competition by reducing risks for larger generators in tight winters and give them the confidence to

		<p>continue to trade. There will be a higher degree of competition by maintaining liquidity and keeping parties from defaulting.</p> <p>c) Positive – this change will help avoid insolvency among larger generators in case of a NGSE and therefore promote the security of electricity generation.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Given the concerns around gas availability this winter, we consider that this modification and P448 should be implemented as soon as possible to provide protection to generators.</p>
3	Do you have any other comments?	<p>We consider that the drafting should clarify exactly when a BMU is considered no longer to be 'affected' by an NGSE and how a BMU should return its PN to the level of its expected output, eg. whether it should adjust its PN immediately from the time that NGG allows the site to begin offtaking gas again or whether dynamic parameters should be taken into account.</p> <p>We welcome the fact that this modification and P448 would provide a degree of protection for gas-fired generators from imbalance charges in case of a gas system emergency and we therefore support its implementation. However, we do consider that there are a number of issues which the modifications do not address:</p> <ul style="list-style-type: none"> The prohibition on being able to increase a PN above the energy volume which a BMU has contracted at the start of a load shedding instruction may prevent an affected BMU from undertaking further hedging once a load shedding instruction has been issued. Without certainty as to when an NGSE will end, a generator could not sell out further volume as, if the NGSE was extended, the generator would not be protected from imbalance charges on that volume under P448. Given that an NGSE could last for a prolonged period, this could adversely affect a generator's normal longer term hedging activity, including entering into week ahead or even month ahead positions. We therefore consider that, if a load shedding instruction lasts longer than initially notified, generators should be able to update their PNs to

		<p>reflect their new contracted position at the original expected end time.</p> <ul style="list-style-type: none"> We understand that BEIS has determined that bids accepted under P448 would not reduce a generator's Capacity Market obligations during a System Stress Event. Without this protection, a small number of CCGTs could find themselves subject to capacity market penalties running into many millions of pounds during an NGSE as a result of factors entirely outside of their control. We therefore consider that an urgent amendment to the Capacity Market Rules is required to ensure that any output curtailed or sterilised during an NGSE leads to reduction of a generator's Capacity Market obligation during a System Stress Event. There are a number of tools that the gas System Operator could use to avoid declaring an NGSE but which could prevent generators from running at short notice during tight system conditions and leave them exposed to large electricity imbalance charges and credit requirement without the protection afforded by P448, eg. Operating Margins agreements or withholding daily firm gas capacity from sale. We consider that the gas System Operator must provide absolute clarity as to when and how it will utilise these tools, the consequences for shippers if they did not comply with them because of the commercial risks in the electricity market, and any changes that could be made to ensure the tools continue to function as intended.
4	<p>Do you agree with the Workgroup's assessment that GC0160 does impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Grid Code?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>
5	<p>Do you have any comments on the impact of GC0160 on the EBR Objectives?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>