
Grid Code (GC) GC0172: Replacing References to Electricity Supply Industry Arbitration Association (GC0172)

Decision: The Authority¹ directs² that the proposed modification to the Grid Code be made

Target audience: National Energy System Operator (NESO), the Grid Code Review Panel, Grid Code users and other interested parties

Date of publication: 20 March 2025

Implementation date: Ten business days following the Authority's approval

Background

The Grid Code (GC) contains one reference to the Electricity Supply Industry Arbitration Association (ESIAA), interchangeable with the Electricity Arbitration Association (EAA), in its Glossary and Definitions and one reference in its General Conditions. As such, the GC has been required to use the EAA as its official arbitration provider. Elexon, the Balancing and Settlement Code (BSC) administrator, previously paid annual overhead costs to retain the EAA as the arbitration body for dispute resolution. These services have not been utilised by any GC party since the EAA's inception in 1993.

The BSC approved a modification [BSC P457: 'Replace the Electricity Arbitration Association with the London Court of International Arbitration' (LCIA)], which replaced the EAA with the LCIA. This change removed Elexon's obligation, as the BSC code administrator, to make regular payments for arbitration services to the EAA. The change means payment is made to the LCIA only when a dispute requires arbitration to reach a resolution.

The Connection and Use of System Code (CUSC) has implemented similar modifications by introducing CMP436 to update CUSC arbitration arrangements (Non-Charging) and CMP437 to update CUSC arbitration arrangements (Charging).

¹ 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.

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

The modification proposal

GC0172 was raised by NESO (the Proposer) on 3 May 2024 and seeks to replace references to the EAA in the GC with the LCIA where applicable.

The Proposer sets out in the Final Modification Report (FMR), the reasons for change are as follows:

- i) The EAA has not been used in any industry dispute since 1993 and is not contactable. Its website is not updated, and as such it seems inappropriate for the CUSC, Grid Code and STC to list this as its official arbitration provider.
- ii) The LCIA is an internationally recognised provider of arbitration services. The LCIA is also experienced in the resolution of Energy Codes disputes, and is the official arbitration service of both the BSC and the REC.
- iii) The LCIA offer a service whereby it requires payment in instances where there is a dispute requiring arbitration. Elexon were responsible previously for paying the overhead costs of the EAA. Whilst the CUSC and Grid Code Panels did not pay for this service, it references the service on 15 different instances.
- iv) The LCIA is a not-for-profit company limited by guarantee. The LCIA Board is “[...] *made up largely of prominent London-based arbitration practitioners, is principally concerned with the operation and development of the LCIA's business and with its compliance with applicable company law*”.³ They provide an appropriate level of expertise to administer arbitration disputes within the CUSC. The charges for this arbitration service fall upon the party initialising the arbitration. These costs are set out on the LCIA website.⁴ This GC change is needed as the definition is Cross Referenced within the CUSC, and the current GC definition refers to the EAA as the Electricity Supply Industry Arbitration Association.
- v) The provisions will be an improvement on the current service within the GC provisions.

The Proposer believes that EAA is a defunct organisation, and this change would allow the GC to appropriately align its arbitration services to that of the other codes such as the BSC, the CUSC, the STC and the Retail Energy Code.

³ [Introduction \(lcia.org\)](#)

⁴ [LCIA Website - Costs](#)

Grid Code Review Panel (GCRP) recommendation

The GCRP Modification Panel (the Panel) considered the FMR at its meeting on 7 August 2024. The Panel considered that GC0172 would better facilitate the GC Objectives in particular:

- (e) To promote efficiency in the implementation and administration of the Grid Code arrangements

The GCRP indicated that this modification would have a neutral impact on objectives (a)-(d). Therefore, on 25 July 2024, the panel recommended approving the modification to remove EAA from the Glossary and Definitions and General Condition 10, replacing it with LCIA.

Our decision

We have considered the issues raised by the modification proposal and in the FMR dated 7 August 2024. We have considered and taken account of the responses to the industry consultation on the modification proposal which are included in the FMR.⁵ We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives⁶ of the Grid Code⁷
- approving the modification is consistent with our principal objective and statutory duties⁸

Reasons for our decision

We consider this modification proposal will better facilitate GC applicable objective (e). We believe it has a neutral impact on the remaining GC objectives. We do not consider GC objective (d) to be affected by GC0172 as the licensee's licence does not include an arbitration or dispute resolution process.

⁵ Grid Code proposals, final reports and representations can be viewed on NESO's website at: [Grid Code Modifications](#)

⁶ For the avoidance of doubt, we have made our assessment for this Proposal with reference to the Applicable Code Objectives that came into effect on 1 October 2024. As noted in our letter to Panel dated 06 March 2025, and having not received representations to the contrary, we consider that updates the modifications to the Applicable Code Objectives (which came into effect on 1 October 2024 upon the establishment of NESO) would not have materially impacted any assessment of objectives and subsequent analysis and voting undertaken by Panel.

⁷ As set out in Standard Condition E3 of the Electricity System Operator Licence.

⁸ 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.

(e) to promote efficiency in the implementation and administration of the Grid Code arrangements;

Panel View

The Panel unanimously agreed that an effective dispute resolution service would improve the efficiency of implementing and managing the Grid Code, better achieving this GC objective.

Our View

We agree with the Panel that replacing a non-functioning arbitration service with an effective one will improve industry practice and the efficiency of managing the GC. We believe proposal GC0172 better supports GC objective (e) and has a neutral impact on other objectives.

Decision notice

In accordance with Standard Condition E3 of the Electricity System Operator Licence, the Authority hereby directs that Grid Code modification proposal, Grid Code GC0172: Replacing References to Electricity Supply Industry Arbitration Association, be made.

Gavin Baillie

Head of Industry Codes

Signed on behalf of the Authority and authorised for that purpose