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for energy consumers

To:

National Grid Electricity System
Operator Limited

Email: Alastair.Owen@Ofgem.gov.uk

Date: 13 October 2021

Erratum notice – Modification of the standard conditions of all electricity transmission licences

The Authority¹ issued a notice² under section 11A of the Electricity Act 1989 on 24 August 2021 modifying the standard conditions of the electricity transmission licence (the 'Notice').

The Notice outlined a modification to standard condition C1 and C16 of the electricity transmission licence, and Schedule 2 to the Notice set out the drafting of the intended modifications. We have since identified that the numbering of the paragraphs in condition C16, following removal of paragraph 5, were not correctly updated.

We have amended the paragraph numbering and cross referencing as shown in Appendix 1, attached, with red font, strikethrough and highlight. The remainder of Schedule 2 and Notice remain as published on 24 August 2021. If you have any questions regarding this letter, please contact Alastair Owen at Alastair.Owen@Ofgem.gov.uk.

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Alastair Owen
Senior Manager – ESO Regulation
Duly authorised on behalf of the
Gas and Electricity Markets Authority

13/10/2021

¹ The terms 'The Authority', "we" and "us" are used interchangeably in this letter. The Authority is the Gas and Electricity Markets Authority.

² The notice can be found at the following address: <https://www.ofgem.gov.uk/publications/decision-licence-modifications-facilitate-introduction-electricity-system-restoration-standard>

Appendix 1: Condition C16: Procurement and use of balancing services

Introduction

1. This condition sets out the processes and activities the licensee must undertake for the procurement of balancing services, used to assist in co-ordinating and directing the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner.

Part A: Licensee's obligations under this condition

2. Having taken into account relevant price and technical differences, the licensee must not discriminate as between any persons or classes of persons in its procurement or use of balancing services.
3. The licensee must prepare the following:
 - (a) Procurement guidelines statement described in Part B of this condition;
 - (b) Balancing principles statement described in Part C of this condition;
 - (c) Balancing services adjustment data methodology statement described in Part D of this condition;
 - (d) System management action flagging methodology statement described in Part E of this condition;
 - (e) Applicable balancing services volume data methodology statement described in Part F of this condition; and
 - (f) An annual report in accordance with Part G of this condition.

Part B: Procurement guidelines statement

4.
 - (a) The licensee must before the effective time and thereafter at 12 monthly intervals (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out the kinds of balancing services which it may be interested in purchasing in the period until the next statement is due and the mechanisms by which it would envisage purchasing them.
 - (b) Where during the term of the statement referred to in sub-paragraph (a) the licensee's intentions change regarding the types of services it wishes to purchase, the licensee must review the statement and consider whether any revision to the statement is necessary and promptly seek to establish a revised statement in accordance with the terms of paragraph 10 of this condition.

Part C: Balancing principles statement

5.

- (a) The licensee must before the effective time prepare a statement approved by the Authority setting out (consistently with the licensee's duty under paragraph 2 and consistently with its other duties under the Act and the conditions of its transmission licence) the principles and criteria by which the licensee will determine, at different times and in different circumstances, which balancing services the licensee will use to assist in co-ordinating and directing the flow of electricity onto and over the national electricity transmission system (and/or to assist in doing so efficiently and economically), and when the licensee would resort to measures not involving the use of balancing services.
- (b) The licensee must if so directed by the Authority or when any modification should be made to the statement referred to in paragraph 56(a) to more closely reflect the intentions of the licensee but in any event at least once a year, review the statement prepared pursuant to subparagraph (a) and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraph 910 of this condition.

Part D: Balancing services adjustment data methodology statement

6.

- (a) This paragraph applies where the BSC provides that any imbalance price is to be determined (in whole or in part) by reference to the costs and volumes of relevant balancing services.
- (b) Where this paragraph applies the licensee must:
 - (i) before the effective time, establish a balancing services adjustment data methodology approved by the Authority;
 - (ii) from time to time thereafter, when the licensee first buys, sells or acquires any relevant balancing services of a kind or under a mechanism which is not covered by the prevailing balancing services adjustment data methodology, promptly seek to establish a revised balancing services adjustment data methodology approved by the Authority which covers that kind of balancing services or mechanisms for buying, selling or acquiring them;
 - (iii) prepare a statement of the prevailing balancing services adjustment data methodology as approved by the Authority; and
 - (iv) at all times determine and provide (for use under the relevant provisions of the BSC) the costs and volumes of the relevant balancing services in compliance with the

prevailing balancing services adjustment data methodology, which are to be taken into account in determining imbalance price(s) under the BSC.

The licensee must when any modification should be made to the statement referred to in sub-paragraph 67(b)(iii) to more closely reflect the intentions of the licensee review the statement prepared pursuant to sub-paragraph 67(b)(iii) and promptly seek to establish a revised statement approved by the Authority made in accordance with terms of paragraph 910 of this condition.

Part E: System management action flagging methodology statement

67A.

- (a) This paragraph applies to the extent that the BSC provides that the licensee is required to identify balancing services which relate to system management.
- (b) Where this paragraph applies, the licensee must, before 5 November 2009, in writing:
 - (i) establish a system management action flagging methodology approved by the Authority; and
 - (ii) prepare a statement of the prevailing system management action flagging methodology as approved by the Authority, and at all times thereafter use its reasonable endeavours to identify the balancing services which the BSC requires it to identify as relating to system management in accordance with the prevailing system management action flagging methodology and provide records (for use under the relevant provisions of the BSC) of those balancing services which the BSC requires must be taken into account in determining imbalance price(s).
- (c) The licensee must, if so directed by the Authority or when it considers that any modification should be made to the statement referred to in sub-paragraph 67A(b)(ii) more accurately to identify the balancing services which relate to system management, review the statement prepared pursuant to sub-paragraph 67A(b)(ii) and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraph 910 of this condition.

Part F: Applicable balancing services volume data methodology statement

7.

- (a) This paragraph applies where the BSC provides that any applicable balancing services volume data is to be determined (in whole or in part) by reference to the volumes of energy associated with the provision of applicable balancing services.
- (b) Where this paragraph applies the licensee must:

- (i) before the date this paragraph comes into effect, establish an applicable balancing services volume data methodology approved by the Authority;
 - (ii) Not used;
 - (iii) prepare a statement of the prevailing applicable balancing services volume data methodology as approved by the Authority; and
 - (iv) at all times determine and provide (for use under the relevant provisions of the BSC) the volumes of applicable balancing services in compliance with the prevailing applicable balancing services volume data methodology, which are to be taken into account in determining applicable balancing services volume data under the BSC.
- (c) The licensee must when any modification should be made to the statement referred to in sub-paragraph 78(b)(iii) to more closely reflect the intentions of the licensee review the statement prepared pursuant to sub-paragraph 78(b)(iii) and promptly seek to establish a revised statement approved by the Authority made in accordance with terms of paragraph 940 of this condition.

Part G: Preparation and publication of an annual report

8.

- (a) At the end of each regulatory year, the licensee must prepare an annual report in a form approved by the Authority in respect of the total costs the licensee has incurred in that regulatory year in relation to balancing services.
- (b) Within two months, beginning with the end of each regulatory year, the licensee must submit the annual report prepared in accordance with paragraph 89(a) to the Authority and publish the annual report on its website as soon as is reasonably practicable.
- (c) Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 89(b), it must seek the Authority's approval to publish a redacted version.
- (d) The report provided to the Authority under paragraph 89(b) must give particulars of:
 - (i) the total costs incurred for that regulatory year, and how the total costs have been calculated in respect of the balancing services which the licensee has bought or acquired (other than balancing services which the licensee has acquired through the mere acceptance of an offer or bid in the balancing mechanism, provided such offer or bid was not made pursuant to any prior agreement);
 - (ii) how the total costs have been incurred in accordance with the balancing services statements prepared pursuant to paragraphs 4(a) and 56(a); and
 - (iii) any other analysis or information which the licensee considers to be required to enable the Authority fully to assess the particulars to which the report relates.

- (e) The report prepared pursuant to paragraph 89(a) must be accompanied by a statement from an independent auditor of internationally recognised standing appointed by the licensee:
- (i) confirming that the report is accurate; and
 - (ii) detailing the auditor's independent assessment of the extent to which the licensee has complied with the relevant approved balancing services statements prepared pursuant to paragraphs 4(a) and 56(a) together with any revision made in accordance with paragraph 940(a) of this condition.

Part H: Governance

9.

- (a) Except where the Authority directs otherwise, before revising the statements prepared pursuant to paragraphs 4(a), 56(a), 67(b)(iii), 67A(b)(ii) and 78(b)(iii) and each revision thereof the licensee must:
- (i) send a copy of the proposed revisions to the Authority and to any person who asks for one;
 - (ii) consult BSC parties on the proposed revisions and allow them a period of not less than 28 days in which to make representations;
 - (iii) submit to the Authority within seven (7) days of the close of the consultation period referred to in sub-paragraph 940(a)(ii) above a report setting out the revisions originally proposed, the representations (if any) made to the licensee, any changes to the revisions, and
 - (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) or any of them must not apply, comply with such other requirements as are specified in the direction.
- (b) The licensee must not revise the statements referred to in paragraphs 4(a), 56(a), 67(b)(iii), 67A(b)(ii) and 78(b)(iii) and each revision thereof until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph (a)(iii) unless prior to such date the Authority either:
- (v) directs the licensee to make the revisions on an earlier date; or
 - (vi) directs the licensee not to make the revision.

10. The licensee must take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 56(a).

11. The licensee must send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 4, 5, 6, 6A7, 7A, and 8, and 9 and of all revisions to any such statements made in accordance with the terms of paragraph 940 of this condition.

12. The licensee must:
- (a) publish (in such manner as the Authority may approve from time to time) the statements prepared pursuant to paragraphs 4(a), 56(a), 67(b)(iii), 67A(b)(ii) and 78(b)(iii) and each revision thereof, and
 - (b) send a copy of each statement and report prepared pursuant to paragraphs 4, 5, 6, 6A7, 7A, and 8, and 9 or the latest revision of any such statements to any person who requests the same, provided that the licensee must exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,
- and, for the purposes of paragraph (b), the licensee must refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).
13. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 123(b) of any amount reasonably reflecting the licensee's reasonable costs of providing such a copy which must not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.
14. The licensee must, unless the Authority otherwise consents, maintain for a period of six years:
- (a) particulars of all balancing services offered to it;
 - (b) particulars of all contracts (other than those in the balancing mechanism) for balancing services which it entered into;
 - (c) particulars of all contracts for balancing services entered into by way of the acceptance of a bid or offer in the balancing mechanism where the bid or offer was made pursuant to a prior agreement;
 - (d) records of all balancing services called for and provided; and
 - (e) records of quantities of electricity imported and exported across each interconnector(s).
15. The licensee must provide to the Authority such information as the Authority shall request concerning the procurement and use of balancing services.

Part I: Interpretation

16. In this condition:

active power	must have the same meaning as that given to that term in the Grid Code.
“annual report”	means a report of that name published by the licensee under Standard Licence Condition C16;

“adverse effects”	means any impact on the continued stability of operation of the national electricity transmission system including, but not limited to, any effect on the frequency or voltage of the electricity transmitted on all or any part of the national electricity transmission system.
"applicable balancing services"	means those services that the Authority directs the licensee to treat as applicable balancing services.
"applicable balancing services volume data"	means the amount of energy deemed by virtue of the applicable balancing services volume methodology to have been produced or consumed as a result of delivering applicable balancing services.
"applicable balancing services volume data methodology"	means a methodology to be used by the licensee to determine what volumes of applicable balancing services are to be taken into account under the BSC for the purposes of determining in whole or in part the applicable balancing services volume data in any period, which methodology shall cover each of the applicable balancing services which the licensee buys, sells or acquires at the time at which the methodology is established;
balancing costs;	means the costs incurred by the licensee to balance the national electricity transmission system.
"balancing services adjustment data methodology"	means a methodology to be used by the licensee to determine what costs and volumes of relevant balancing services are to be taken into account under the BSC for the purposes of determining in whole or in part the imbalance price(s) in any period, which methodology must cover each of the kinds of balancing services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.
demand;	means taking, or being able to take, megawatts (MW) of electricity (active power) from the total system

“feasibility studies”	means work undertaken by the licensee and any potential new provider in order to assess the ability of the potential new provider to provide restoration services.
"imbalance price"	means a price, in the BSC, for charging for imbalances as referred to in paragraph 2(b)(ii) of standard condition C3 (Balancing and Settlement Code (BSC)).
indicated margin	shall have the same meaning as that given to that term in the Grid Code
“interconnected TSO”	means the operator of any transmission system outside of the national electricity transmission system operator area whose transmission system is connected to the national electricity transmission system by one or more interconnectors (irrespective of the ownership of those interconnectors).
“new provider”	means an authorised electricity or other provider in respect of a generation set or other asset in respect of which the licensee has not entered into any agreement to provide restoration services prior to the date on which this condition takes effect in this licence.
"relevant balancing services"	means balancing services other than <ul style="list-style-type: none"> (a) those which the licensee has acquired through the mere acceptance of an offer or bid in the balancing mechanism, provided that such offer or bid was not made pursuant to any prior agreement, and (b) those which the Authority directs the licensee not to treat as relevant balancing services.
“system management”	means: <ul style="list-style-type: none"> (a) the licensee’s management of transmission constraints; (b) the licensee’s management of adverse effects on the national electricity transmission system arising from changes

in electrical flows over any interconnector which are not the result of actions taken by an interconnected TSO; and

- (c) actions by any interconnected TSO which have an effect on the national electricity transmission system.

“system management action flagging methodology”

means a methodology to be used by the licensee which, in the licensee’s opinion, will enable it to use reasonable endeavours to identify those balancing services which the BSC requires it to identify as relating to system management.

“total costs”

means the total costs associated with the provision of balancing services. In the case of restoration services, this includes, payments for feasibility study costs, procuring the services from parties, capital contributions, testing, warming and utilising.

“transmission constraint”

means any limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated, such limit arising as a result of any one or more of:

- (a) the need not to exceed the thermal rating of any asset forming part of the national electricity transmission system;
- (b) the need to maintain voltages on the national electricity transmission system; and
- (c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the national electricity transmission system.

and used by the licensee to operate the national electricity transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in standard condition C17 (Transmission system

security standard and quality of service) or any other provision of the Act, this licence or any other requirement of law.

wind generation output

means the active power output in MW from each wind generator in respect of which operational metering is installed (excluding that relating to wind generators accepted as bids and offers in the balancing mechanism).