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Date: 30 September 2022

Dear Michael,

Decision on the BSC Panel's recommendation for BSC Modification Proposal P448 'Mitigating Gas Supply Emergency Risks' to be treated as an Urgent Modification Proposal

BSC Modification Proposal P448 was raised by SSE plc (the 'Proposer') on 28 September 2022. The proposal seeks to address risks of high Imbalance Charges and Credit Cover requirements to gas-fired generators which are caused by a Gas Supply Emergency. SSE requested that P448 be treated as an Urgent BSC Modification Proposal.

On 29 September 2022, the BSC panel requested that Ofgem treat P448 'Mitigating Gas Supply Emergency Risks' as an Urgent Modification Proposal.¹ The BSC panel considered that P448 be treated as an Urgent Modification because it believes that P448 is linked to an imminent or current issue that if not urgently addressed may cause significant commercial impact on parties, consumers or other stakeholders and may cause a significant impact on the safety and security of the electricity system.²

This request followed an Urgent BSC Panel Meeting on 29 September 2022 when the BSC Panel unanimously agreed to this recommendation.

¹ [P448 'Mitigating Gas Supply Emergency Risks' – Elexon BSC](#)

² Ofgem's published [guidance on Code Modification Urgency Criteria \(August 2022\)](#) appears on our website.

We³ have decided that BSC modification P448 should be progressed on an urgent basis for the reasons set out in this letter.

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 Gas Safety Management Regulations⁴ to address a significant gas safety concern and follow the procedure for a network gas supply emergency.⁵ 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 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.

The proposal

BSC Modification Proposal P448 (the 'Modification') was raised by the proposer on 28 September 2022 to protect generators from high Imbalance Charges and Credit Cover requirements subject to Firm Load Shedding during a Gas Supply Emergency. The Modification proposes to address the high Imbalance Charges and Credit Cover requirements risks, by allowing Firm Load Shedding instructions to be settled as electricity Bids. The proposer also proposes to introduce a new Panel Committee that will validate Bid Payments and Imbalance Charges after the event, to verify that Generators have been protected from Imbalance Charges and have not profited from the arrangements for a Gas Supply Emergency.

³ References to the "Authority", "Ofgem", "we", and "our" are used interchangeable 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.

⁴ A guide to the Gas Safety (Management) Regulations 1996. Guidance on Regulations - L80 (hse.gov.uk)

⁵ [National Grid Gas's Procedure for Network Gas Supply emergency document approved by the NEC \(May 2021\)](#)

Request for Urgency

At the Urgent Panel Meeting on 29 September 2022, the BSC Panel unanimously requested that Ofgem treat P448 as an Urgent Modification Proposal because it will have a significant commercial impact upon Parties and consumers, a significant impact on the safety and security of the electricity system and is related to an imminent or current issue,⁶ for the reasons that have been set out above.

Our decision on the urgency of P448

In reaching our decision on the urgency of P448 we have considered the details within the P448 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 agree that P448 is related to an imminent or current issue, and we are satisfied, based on the information contained in the P448 proposal, that if not urgently addressed this issue could have a significant commercial impact on parties, consumers or other stakeholders 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 to P448. 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 Grid Code Modification GC0160 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. The deadline for the Final Modification Report to be sent to the Authority will be 18 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

⁶ The imminent issue may be date related.