

Jamie Webb / Company Secretary
National Grid Electricity System Operator Limited
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Email: ESOperformance@ofgem.gov.uk

Date: 01 November 2023

Dear Colleagues,

Decision to Direct National Grid Electricity System Operator Limited to make revisions to C16 Statements earlier than the 28 days of their submission to the Authority

Background

In accordance with Standard Condition C16 of its Electricity Transmission Licence, the Electricity System Operator ("ESO") is required to conduct an annual review of all licence statements, proposing changes as necessary. Should the ESO's intentions change regarding the types of services it wishes to purchase outside of this annual period it should conduct a further review, including consultation, and must submit a report to the Authority¹ for decision.

Following consultation,² the ESO has submitted a report to the Authority for approval on 16 October 2023. This included proposed revisions to the following C16 Statements:

- Procurement Guidelines Statement ("PGS")

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

² The consultation ran between 1 September and 29 September 2023. Further details are available here: <https://www.nationalgrideso.com/industry-information/codes/balancing-settlement-code-bsc/c16-statements-and-consultations>

- Applicable Balancing Services Volume Data Methodology (“ABSVD”)

The changes proposed to these documents relate to the following:

- Updates to wording for Demand Flexibility Service (“DFS”), Dynamic Services and Local Constraints Market (“LCM”) in PGS;
- Updates to wording for Balancing Services in the ABSVD to add relevant text for LCM and DFS;
- Updates to Megawatt Dispatch, extending the geographic range of the service in the PGS;
- Housekeeping and version control for PGS and ABSVD.

The Authority’s decision

We have decided not to use our power under Standard Licence Condition C16(9)(b)(ii) to veto the changes proposed by the ESO to the C16 statements. However, we have decided to use our powers under C16(9)(i) to direct the ESO to make these revisions one working day after the date of this decision letter, instead of on the expiry of 28 days following submission to the Authority.

We believe that aligning the updates to the C16 statements with the ESO’s intended launch of DFS³ will bring increased market certainty. As such, we consider this is in the best interest of consumers and wider market parties.

The ESO received no responses to their consultation. We acknowledge that the ESO attempted to engage the industry through a variety of avenues, including the Operational Transparency Forum.

We summarise our conclusions on the ESO’s proposed changes below.

Updates to Procurement Guidelines Statement

We consider that the changes to the PGS bring clarity. The updates to the explanations of Dynamic Services, DFS and LCM are accurate.

Updates to Applicable Balancing Services Volume Data Methodology

We consider the changes to ABSVD are correct. The ESO has stated that ABSVD applies to both DFS and LCM. This brings clarity around these services.

³ We understand the launch to be from 30 October 2023.

Housekeeping Changes

The housekeeping changes to both PGS and ABSVD keep the documents current and relevant.

These changes proposed by the ESO support the economic and efficient running of the system, thus serving the interests of consumers in Great Britain.

Going forward, we expect the ESO to continue reviewing and updating the C16 statements as required under its C16 licence obligations to introduce further clarity and transparency for market participants and to consider stakeholder feedback.

Yours sincerely,

James Hill

Principal Policy Expert – Electricity System Operation

For and on behalf of the Gas and Electricity Markets Authority

Annex – Direction on Condition C16 in relation to the ESO’s C16 statements

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO SUB-PARAGRAPH 9(b)(i) OF CONDITION C16 OF NATIONAL GRID ELECTRICITY SYSTEM OPERATOR LIMITED’S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE PROCUREMENT AND USE OF BALANCING SERVICES

Whereas:

1. National Grid Electricity System Operator Limited (“NGESO”) is the holder of an electricity transmission licence (“the Licence”) granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”).
2. Standard Licence Condition (“SLC”) C16 (Procurement and use of balancing services), subparagraph 9(b)(i) allows the Authority to direct NGESO to make revisions on a date earlier than 28 days of submission of its report to the Authority (prepared in accordance with sub-paragraph 9(a)(iii)).
3. For the reasons set out in the letter to which this Direction is attached, the Authority has decided to direct that NGESO should make its revisions one working day after the date of this Direction.

Therefore:

In accordance with sub-paragraph 9(b)(i) of SLC C16, the Authority hereby directs NGESO to make revisions to its SLC C16 statements earlier than 28 days from the submission of their report, instead making them one working day after the date of this Direction.

This Direction and the letter to which it is attached constitutes notice of the reasons for the decision pursuant to section 49A of the Act.

James Hill – Principal Policy Expert

For and on behalf of the Gas and Electricity Markets Authority
1 November 2023