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ESO Response to potential modifications to generation licence for suitability to assets dedicated to providing network services.

Dear James Hill,

Thank you for the opportunity to respond to your consultation on potential modifications to generation licence for suitability to assets dedicated to providing network services.

Who we are

As the Electricity System Operator (ESO) for Great Britain, we are at the heart of the energy system, balancing electricity supply and demand second by second.

Our mission, as the UK moves towards its 2050 net zero target, is to drive the transformation to a fully decarbonised electricity system by 2035, one which is reliable, affordable, and fair for all. We play a central role in driving Great Britain's path to net zero and use our unique perspective and independent position to facilitate network and market-based solutions to the challenges posed by the energy trilemma.

As National Energy System Operator (NESO) we will continue to build on the ESO's position at the heart of the energy industry, acting as an enabler for greater industry collaboration and alignment. We will unlock value for current and future consumers through more effective strategic planning, management, and coordination across the whole energy system.

Our key points

- We agree that, until the long-term approach to licensing for these types of assets/services is decided upon, it is helpful that the Generation Licence should include a definition of assets dedicated to providing network services.
- We believe that any approach and definition would need to be mindful to focus on the network services provided rather than technology type.
- We welcome Ofgem's continued work on reaching a longer-term policy in this area to ensure clarity and a level playing field for different technology types and ownership models for the provision of network services.

We look forward to engaging with you further. Should you require further information on any of the points raised in our response please contact Ifeoluwa Garba, Senior Whole System Framework Lead, at ifeoluwa.garba@nationalgrideso.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matt Magill', with a stylized flourish at the end.

Matt Magill,
Director of Markets

Appendix 1 Consultation Question Responses

Question 1: Do you agree that the current Generation Licence should include a definition of assets dedicated to providing network services in order to activate conditions that were not drafted with these assets in mind?

We agree that, as an interim measure and until the long-term approach to licensing for these types of assets/services is agreed upon, it is helpful that the Generation Licence should include a definition of assets dedicated to providing network services. We note that Ofgem are not proposing any changes to the licencing application process or criteria, and the conditions for the granting of a generation licence will remain the same.

Question 2: Do you agree with the proposed scope of assets we intend to capture in this definition?

We agree with the scope, and we agree it is important that any approach taken would need to be mindful that it does not focus on technology but rather on the services provided. Although this consultation already mentions not focusing on Synchronous Compensators alone, it is helpful to emphasise that there are many types of Zero MW assets. Some of these assets provide reactive power and inertia/short circuit level support, whilst some provide just inertia/short circuit level support or provide solely reactive power. In addition, there are assets such as Synchronous Compensators and EStatcoms, which are Zero MW but have Grid Forming Capability. As such, it is important to note that some assets could provide just one service such as, reactive power, or a combination of services.

Regarding the proposed definition of Network Services, we believe the definition covers these different service categories; however, we suggest changing 'Short Circuit Level' to 'System Strength /Short Circuit Level' to cover for broader aspects of grid forming technologies providing stability services to the system operator.

We agree with the use of "Network Services" as the terminology to use for the reasons stated in the consultation. However, to minimize barriers to market development, we would propose removing the minimum time criteria from the definition.

Question 3: Do you agree with our proposed definition and terminology?

Please see response to Question 2 above.

Question 4: Do you think there are any network services that should be considered in scope that are not currently included in our proposed definition?

It is worth considering whether System Restoration should be added to this definition. There is a possibility a connection could have a contract as part of a Restoration Plan to contribute to System Restoration.

Question 5: Do you agree with our preferred approach to address any necessary changes through addition of a new Section to the Generation Licence?

As an interim approach, this seems appropriate and although other stakeholders might be better suited to comment on this, we believe that any changes to the licence for assets providing network services would need to be proportionate, as well as not represent a barrier to entry for any existing or new assets, regardless of technology type. Therefore, being clear, consistent, and adaptable for all technologies.

We agree with Ofgem's proposal that any changes to the licence should accommodate any new technologies that may deliver services in a similar manner to current synchronous generators.

Question 6: Do you have any other comments relevant to the definition of assets to be covered by the purpose of this consultation?

We think it may be helpful to consider definitions within other industry frameworks. For example, in the Grid Code, Synchronous Compensators are treated as storage, however they do not come under the definition of

Electricity Storage Modules since they do not have active MW components. There are other technologies such as synchronous flywheels and regenerative braking systems which are treated in the same way. There are Transmission Owner assets built to provide reactive power and stability to meet the SQSS requirements. Therefore, we recommend including in your considerations how an asset, such as a reactor or Synchronous Condenser, which requires a Generation Licence and is owned by a Transmission Owner for the purpose of meeting their obligations under the SQSS, could be impacted.

Also, please see response to Question 2 above.

Question 7: Do you agree with our current assessment that Licence Condition 14 does not apply suitably for the assets within scope of this consideration?

We agree that Licence Condition 14 does not suitably apply to assets within scope of this consultation and, where a licence is granted, we consider that excluding assets within the scope of that licence on grounds of MW is not appropriate.

Question 8: Do you have views on other conditions in the Generation Licence that may not apply suitably to assets within the scope of this consideration?

We believe other industry stakeholders are better placed to comment and share views on this question.

Question 9: Do you have any other views on our interim treatment of assets dedicated to network service provision?

Any changes to the licence for assets providing network services need to be proportionate and not represent a barrier to entry for any existing assets or for new assets, whatever kind of technology they might be (so would need to be clear, consistent, and adaptable for all technologies).

We welcome Ofgem's continued work on reaching a longer-term policy in this area and believe that the scope of this should consider all assets providing network services under this interim Generation Licencing arrangement and those previously granted Transmission Licences.