

Marta Csirinyi
Wholesale Market Conduct
Energy Systems
Ofgem,
9 Millbank,
SW1P 3GE

Cathy McClay
Head of Commercial, Electricity
Cathy.McClay@NationalGrid.com
Direct tel +44(0) 7870 159677

6 March 2017

Draft Transmission Constraint Licence Condition Guidance

Dear Marta

We welcome the opportunity to respond to your consultation on the draft Transmission Constraint Licence Condition Guidance.

We agree that the Guidance covers market behaviour in relation to Circumstance 2 of the existing licence condition, however we would like to see further guidance confirming that Circumstance 1 of the current licence condition is covered by Article 5 of the Regulation on Energy Market Integrity and Transparency (REMIT) and that Article 5 also applies to activity in the Balancing Mechanism.

As discussed in our response to the statutory consultation on the proposed licence condition we believe import constraints, Constraint Management Services contracts and Electricity Trades, and Dynamic Parameters should all fall within the scope of the proposed licence condition and therefore the Guidance should be updated accordingly.

In the Draft Transmission Constraint Licence Condition Guidance negative bids are specifically referred to. We would not wish generators to take this as a prohibition on all negative bids as this may reduce the level of flexibility offered to the system operator by generators. Further guidance on this point would reduce the risk of a loss of appropriately priced flexibility being available to the system operator.

Our detailed response to the consultation question(s) are given in the appendix.

Yours sincerely

By Email

Cathy McClay
National Grid

Are there other factors or indicators that Ofgem should consider in interpreting the licence condition?

As discussed in our response to the statutory consultation on the proposed licence condition we believe import constraints, Constraint Management Services contracts and Electricity Trades, and Dynamic Parameters should all fall within the scope of the proposed licence condition and therefore the Guidance should be updated accordingly.

The stated aim of the proposed licence condition is to prohibit generators from paying or seeking to pay the system operator an excessively low amount, or being paid or seeking to be paid an excessive amount by the system operator. A generator could seek to achieve this through the adjustment of its Dynamic Parameters, for example by setting the Minimum Non-Zero Time artificially high. In our response to the statutory consultation on the proposed licence condition we have recommended that this should be explicitly prohibited. When clarifying that the licence condition prohibits excessive benefit from being obtained through the adjustment of Dynamic Parameters processes should be put in place by which monitoring and enforcement can occur.

When extending the licence condition to apply equally to import constraints offers should be monitored and enforced in the same manner as is described for bids.

When extending the licence condition to apply equally to Constraint Management Services contracts and Electricity Trades processes should be put in place by which monitoring and enforcement can occur of the manner described for Balancing Mechanism activity.

We would not wish generators to take this as a prohibition on all negative bids as this may reduce the level of flexibility offered to the system operator by generators. Further guidance on this point would reduce the risk of a loss of appropriately priced flexibility being available to the system operator. When monitoring the level of bids made by a generator, care should be taken to ensure that appropriately priced flexibility is not prohibited.