



Making a positive difference
for energy consumers

All Transmission System
Operators and all interested
parties and stakeholders.

Direct Dial: 020 3236 9662
Email: Philippa.Pickford@ofgem.gov.uk

Date: 14 September 2017

Dear Colleague,

Our¹ decision to assign Transmission System Operator (TSO) obligations under the COMMISSION REGULATION (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (SOGL) within GB.

This letter sets out our decision on assigning the responsibility to comply with new obligations under the guideline on electricity transmission system operation (SOGL) to the GB TSOs that are currently operational in GB. Under Article 2.3 of SOGL, where a TSO, in a Member State that has more than one TSO, does not have a function relevant to one or more obligations under this Regulation, Member States may assign TSO obligations under SOGL to one or more specific TSOs.² We will be assigning the responsibility to comply with these obligations because it is our view that not all GB TSOs currently have all these functions.

Where possible, we have based our approach to assigning TSO responsibilities for SOGL on the process taken with the capacity allocation and congestion management³ (CACM) regulation.⁴

Consultation responses

We received six responses to our Consultation, none of which was marked confidential. The key issues raised are summarised in Annex 1, along with our response.

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

² The Department for Business, Energy & Industrial Strategy has written to Ofgem to clarify that in its view the most appropriate route for assigning TSO obligations is for Ofgem to work with stakeholders and then to enact those changes through changes in licences.

³ Commission Regulation (EU) 2015/1222 - establishing a guideline on capacity allocation and congestion management

⁴ See decision letter here: <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultations-assignment-transmission-system-operator-obligations-under-capacity-allocation-and-congestion-management-regulation-within-gb>

Our approach to assigning TSO obligations

The final decision as set out in Annex 2 is based upon our application of the multiple TSO clause, the additional information provided by TSOs in their responses and GB TSOs' current functions as set out in their licences.

Our decision

Our decision for each sub group of TSOs is set out in Annex 2. Annex 1 sets out the key points raised in the consultation responses, and the decisions we have made in those relevant areas. Alongside this decision letter, we are publishing an ancillary document that breaks down the TSO responsibilities between articles, in line with the process we followed for CACM.⁵

Statement of reason for not carrying out an impact assessment

We have considered whether we need to undertake an Impact Assessment as part of our decision on the assignment of the responsibilities on TSOs to fulfil various obligations under SOGL. We do not consider it necessary to perform an Impact Assessment for three reasons:

- This decision is not 'important' as defined under s5A of the Utilities Act. In particular, it does not change TSO obligations, which are defined under the SOGL, but rather reflects GB TSOs' roles and functions under their licences.
- The impact of the SOGL has already been assessed as part of the code development process.⁶ As such, there is limited additional value of conducting an additional Impact Assessment.
- Some TSOs obligations apply from the entry into force of the SOGL. As such, there is an urgent need of clarifying each party's obligations under the SOGL.

Future changes to GB TSO obligations under SOGL

It is possible that a review of this assignment of responsibilities in the future is needed to ensure that they continue to remain relevant to the overall GB regulatory framework. The non-exhaustive list below sets out our expectation on some key scenarios that may prompt such a review:

- **The development of the terms and conditions and methodologies.** SOGL requires TSOs to develop a number of terms and conditions and methodologies. We expect these terms and conditions and methodologies to reflect the relevant function as set out in this assignment. We consider that a further review of obligations will only occur if one or more TSOs provide clear evidence that the original assignment does not reflect an enduring relevant function. The TSO will also need to prove that to keep the obligation will cause an additional burden upon the TSO as well as unnecessary costs to the consumer.

⁵ Available at <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultations-assignment-transmission-system-operator-obligations-under-capacity-allocation-and-congestion-management-regulation-within-gb>

⁶ Available at http://ec.europa.eu/transparency/reqcomitology/index.cfm?do=search.documentdetail&Dos_ID=11963&DS_ID=42429&Version=1

- **When a new TSO becomes operational / there is a change in TSO activity.** If a TSO believes it does not have a relevant function to one or more of the obligations as set out in the attached ancillary document for its subgroup, then we consider that it is the responsibility of that TSO to notify us and provide evidence for this view.
- **Amendments to the regulations.** It is our view that where amendments are made to the SOGL, the TSOs shall provide justifications for a review based upon the effect that those changes had in their relevant function and as a consequence on the assignment of obligations.

In all the above cases it will be our decision, based upon the evidence provided, whether to instigate a review (including consultation), which may lead to a change in the assignment of obligations for GB TSOs.

Next steps

We intend to amend the licences for the different TSOs to incorporate this decision and ensure that the enforcement route is clear and transparent. We plan to achieve this through a licence modification to the respective TSO licences during 2017/18.

If you have any queries regarding the information contained within this letter or the annexes please contact Leonardo.Costa@ofgem.gov.uk.

Yours faithfully

Philippa Pickford
Associate Partner Wholesale Markets

Annex 1: Consultation responses

1) What are your views on the TSOG (SOGL) articles which we have identified as placing an obligation on TSOs?

All respondents support the approach that we have taken in assigning the responsibility to comply with obligations and welcome the pragmatic and proportionate approach to the exercise. Respondents noted that we had generally identified those articles that place an obligation on TSOs.

2) What are your views on Ofgem's interpretation of the multiple TSO clause in assigning obligations to GB TSOs?

Most respondents considered that our interpretation of the multiple TSO clause is sensible and practical. They agreed that the responsibility to comply with obligations should only be assigned to TSOs that are operational, and where the obligation is relevant to that TSO.

One respondent also noted that it was pleased to see that appropriate consideration has been given to other regulations coming out of the Third Energy Package and existing licence obligations for each type of TSO.

3) What are your views on the assignment of obligations under TSOG (SOGL) to GB TSOs as set out in Annex 1?

Responses were generally supportive of the minded-to positions set out. Stakeholders also agreed that it was appropriate to follow the same process for allocation as taken for the guideline on CACM.

One respondent requested clarity as to how we will formalise the decision within each TSO licence, as they were concerned that it would not be practical to include each obligation in full within the TSO licences. We anticipate that changes to the TSO licences will be limited and will not reflect every additional obligation. Specific obligations will be set out in the relevant code framework.

Another respondent noted that the assignment of obligations would be more straightforward if there was a single category of GB transmission owning licensee, rather than onshore TOs, OFTOs, ICs, and potentially CATOs in the future. We consider that it is important to keep the distinction between the various classes of transmission owner as their functions differ. The allocation of obligations is different between the different classes of TSOs. It would not be proportionate to require a TSO to comply with obligations that are not relevant to its function.

There were five responses that suggested changes to the specific TSO obligation areas for the SOGL; these are set out in the summary table below.

4) What are your views on the assessment of future changes to the assignment of TSO obligations under the TSOG (SOGL) regulation?

Most respondents agreed with the scenarios we identified as appropriate to result in a review of the obligations that have been allocated. They requested that a similar process is undertaken with a proper and full consultation process, if the obligations need to be

4 of 7

changed in the future. If the assignment of obligations needs to be changed in the future, we will undertake a full and proper consultation process like that taken for the initial assignment.

One stakeholder commented that the four scenarios we have identified that could lead to a review of the obligations should not be an exhaustive list. We understand that there may be other scenarios in the future that we have not considered that might necessitate a review. In that event, we would assess the circumstance at the time to determine whether a review of the assignment was needed.

Two stakeholders commented that there may be a need to reconsider the assignment of responsibilities during the development of terms and conditions and methodologies, while stressing the need for an even playing field between the assignment of obligations between operational and future TSOs.

Table of Responses received on the assignment of responsibility and Decision.

Consultation response	Relevant Article	What the Article(s) state	Minded to Decision	Decision
One stakeholder raised that TOs should be included in the development of a training program for its employees in charge of operational planning, as they are also involved in aspects of operational planning.	A.58(1).b	TSO to establish a training program for its employees in charge of operational planning.	SO obligation	After further consideration, we agree that TOs should also be included in the allocation.
One stakeholder raised that ICs should also be included in discussions to determine appropriate arrangements.	A.110(1)	Establishment of scheduling processes	SO obligation	After further consideration, we agree that ICs should also be included in the allocation.
One stakeholder raised that ICs would be able to provide aggregated netted external schedules so should be included in the allocation.	A.113(1).a	Provision of information to other TSOs	SO obligation	After further consideration, we agree that ICs should be included in the allocation and the SO should be removed.
One stakeholder raised that the articles are unlikely to be required by OFTOs, and are more applicable to onshore TOs and the SO.	A.7(1-2), A.11(1-3)	Amendments to the terms and conditions or methodologies of TSOs, public consultation.	All TSOs	After further consideration we have decided that our minded to position remains appropriate.
One stakeholder raised that under the STC, OFTOs already notify the SO of incidents, and as such would expect the SO to already have this information.	A.15(5)	Annual report on operational security indicators	All TSOs	After further consideration we have decided that our minded to position remains appropriate.
One stakeholder contends that placing this obligation on OFTOs will impose additional costs that are likely to be disproportionate to the benefits.	A.26(1/3)	Security plan for critical infrastructure protection	All TSOs	After further consideration we have decided that our minded to position remains appropriate.
One stakeholder raised that ICs should be involved in the design of remedial actions as this could include counter trading, which would include ICs.	A.20	Remedial actions in system operation	SO obligation	After further consideration we have decided that our minded to position remains appropriate. The SO would definitely want input from ICs, but it is the SO alone who is ultimately responsible for the design and activation of remedial actions.
One stakeholder raised that both Article 76 and Article 80 concerns the coordination of security and outages on a regional, ie interconnected, basis. They claim that since this coordination impacts on ICs and requires at least the use of the ICs assets to facilitate cooperation between GB and other members of the capacity calculation region, IC owners should be involved in these activities, alongside the SO.	A.76, A.80	Proposal for regional operational security coordination and regional outage coordination	SO obligation	After further consideration we have decided that our minded to position remains appropriate. The SO would definitely want input from ICs, but it is the SO alone who is ultimately responsible for developing a proposal for common provisions for the regional operational security coordination.
One stakeholder requested that the assignment be allocated to the SO, ICs and TOs in order to ensure consistency with Article 18 in the FCA regulation.	A.67(1)	Year-ahead common grid models	SO and TO	After further consideration, we agree that this provision should also apply to IC TSOs, in line with the FCA regulation.
One stakeholder raised that ICs also have a role in determining the appropriate arrangements in relation to external commercial schedules.	A.110(1, 5, 6)	Establishment of scheduling processes	SO obligation	After further consideration, we agree that ICs should also be included in the allocation.
One stakeholder raised that these articles do not assign any obligation and so the allocation should be removed.	A.110(2, 3, 4)	Establishment of scheduling processes	SO obligation	After further consideration, we have decided that no obligations originate from these articles and, as such, the obligation to comply with them does not need assigning. We

				have removed the allocation accordingly.
Two stakeholders raised that, given the relevance to interconnector arrangements, it would be prudent to assign the obligations in these provisions to both the SO and ICs to ensure that current arrangements may continue with minimal impact.	A.112 (1-3)	Coherence of schedules	SO obligation	After further consideration, we agree that ICs should also be included in the allocation.
One stakeholder raised that this requirement relates to external schedules between scheduling areas within a synchronous area. This does not apply to any TSOs in GB and therefore the allocation can be removed	A.112 (4)	Coherence of schedules	SO obligation	After further consideration we have decided that our minded to position remains appropriate. While there is only one scheduling zone within the GB synchronous area, the SO would be responsible for any external schedules given that it operates the GB system.
One stakeholder raised that these articles do not assign any obligation and so the allocation should be removed.	A.112 (5,6)	Coherence of schedules	SO obligation	After further consideration, we have decided that no obligations originate from these articles and, as such, the obligation to comply with them does not need assigning. We have removed the allocation accordingly.
One stakeholder raised that the SO does not run a process or produce information that could be accurately considered as 'aggregated netted external schedules', but that the ICs do schedule flows following market results that represent an aggregated and netted single value that indicates the external flow and so would constitute information that pertains to an 'aggregated netted external schedule'.	A.113 (1).a	Provision of information to other TSOs	SO obligation	After further consideration, we agree that ICs should be included in the allocation and the SO should be removed.