



Making a positive difference
for energy consumers

To: National Grid Electricity Transmission

Cc: Transmission System Owners, Generators,
Suppliers, Traders, Consumers and Other
Interested Parties

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Dear colleagues,

Decision not to use our power of direction to veto National Grid Electricity Transmission plc (NGET) C16 statement changes

Background

In accordance with Standard Condition 16 (C16) of its Electricity Transmission Licence, NGET is required to conduct an annual review of all licence statements, proposing changes as necessary. Following consultation¹, NGET submitted to the Authority² its annual Interim Review Report for approval. This included proposed revisions to the following C16 Statements:

- i. Balancing Services Adjustment Data Methodology Statement (BSAD);
- ii. Procurement Guidelines;
- iii. System Management Action Flagging Methodology Statement (SMAF);
- iv. Balancing Principles Statement (BPS);
- v. Applicable Balancing Services Volume Data Methodology (ABSVD).

The changes proposed to these documents relate to the following:

- i. Changes to the C16 statements to remove references to Supplementary Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR)
- ii. Changes relating to performing imbalance adjustments for non-BM Balancing Services providers
- iii. General housekeeping amendments to keep the statement current and relevant.

The Authority's decision

Our decision is *not* to use our power of direction to veto NGET's proposed revisions to the C16 statements.

¹ <https://www.nationalgrid.com/uk/electricity/market-operations-and-data/transmission-licence-c16-statements-and-consultations>. The proposed changes to the ABSVD methodology were also the subject of a previous [informal consultation](#) (16th November – 15th December 2017) to align with the Report Phase consultation of the related BSC modification P354.

² The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority," "we" and "us" are used interchangeably in this letter.

In assessing NGET's proposed revisions, we considered the arguments presented in NGET's Interim Review Report including responses from stakeholders in relation to each proposed group of changes. We have summarised our conclusions below:

i. Removal of SBR and DSBR:

NGET are no longer procuring SBR and DSBR. Therefore, the Authority considers that the proposed changes to the BSAD, SMAF, BPS and Procurement Guidelines support the economic and efficient operation of the system as well as serve the interests of the consumers. The proposed changes will become effective from 1st April 2018.

ii. Changes relating to performing imbalance adjustments for non-BM market participants

We consider that the proposed changes to the ABSVD methodology deliver an important part of the mechanism that is needed for the performance of imbalance adjustments for non-BM Balancing Services providers. The ABSVD methodology, together with the Balancing and Settlement Code (BSC) modification P354³, which was submitted to the Authority on 9 March 2018 for decision, aim at enabling the NGET to provide ABSVD for non-BM Balancing Services providers to BSC Central Systems for allocation of the relevant volumes to the associated energy imbalance account.

We understand that the neutralisation of the imbalances relating to non-BM Balancing Services providers should allow for a better reflection of the costs of the relevant service provision. This in turn should level the playing field in the provision of Balancing Services and should lead to a more competitive and efficient procurement of Balancing Services. Therefore the Authority considers that the proposed changes support the economic and efficient operation of the system as well as serve the interests of the consumers.

We also acknowledge that these changes enable the implementation of Article 49 of the European Balancing Guideline⁴ in relation to performing imbalance adjustment for all balancing services providers.

We expect NGET to keep the ABSVD methodology under review to ensure that it is fit for purpose. We also expect NGET to have the appropriate monitoring mechanisms to ensure the integrity and accuracy of the ABSVD.

The implementation date of the proposed changes to the ABSVD methodology must be aligned to the corresponding implementation date that will be set out in the Authority's decision on the enabling BSC modification, once an enabling BSC modification has been approved. NGET must update this methodology accordingly in the next review.

iii. General housekeeping amendments

The Authority considers that the proposed changes keep the statement current and relevant. They also support the economic and efficient operation of the system, and therefore serve the interests of the consumer. These changes will become effective from 1st April 2018.

Finally, under the new regulatory and incentives framework for the Electricity System Operator (ESO), we expect the ESO to ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent (as defined under principle 3 in the [Roles and Principles guidance](#)). Going

³ [P354 'Use of ABSVD for non-BM Balancing Services at the metered \(MPAN\) level'](#)

⁴ Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

forward, we expect the ESO to propose appropriate amendments to the C16 statements that are in line with stakeholder feedback.

Yours sincerely,

Steven Becker

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