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Dear Robert,

Decision further to National Grid Electricity Transmission plc's ("NGET") request for Derogation under Standard Licence Condition C14 (Grid Code) ("SLC C14") of the Electricity Transmission Licence

I refer to your application to us¹ dated 29 June 2018 requesting a derogation in respect of Limejump Energy Ltd's BMUS (AG-ALIM01, AG-BLIM01, and AG-ELIM01), pursuant to paragraph 12 of SLC 14 of the Electricity Transmission Licence, to relieve NGET of its obligation to implement and comply with the requirements set out in the following Grid Code clauses:

- BC1.4
- BC1.A.1.3.1
- BC1.A.1.3.2
- BC1.A.1.5

We have also received a corresponding derogation request from Limejump Energy Ltd ("Limejump") dated 29 June 2018, in respect of its obligation to comply with BC1.4, BC1.A.1.3.1, BC1.A.1.3.2 and BC1.A.1.5. The Authority's decision on Limejump's derogation request is set out in a separate letter to Limejump, dated 6 July 2018.

This letter sets out our decision to grant the requested derogation. The Direction published alongside this decision letter gives effect to this decision.

NGET derogation request

NGET has submitted a derogation request from the obligation for the data required in clauses BC1.4, BC1.A.1.3.1, BC1.A.1.3.2 and BC1.A.1.5 to be submitted at a Grid Supply Point (GSP) level. In accordance with those provisions, Balancing Market (BM) Participants must submit data to NGET at the GSP level. Through its derogation request, NGET aims at facilitating the participation of a new BM market entrant, Limejump, by enabling it to submit the required data at a Grid Supply Point Group (GSP Group) level. The derogation period requested would be from 9 July (Limejump's planned go live date) until the adoption by the Authority of a decision on the proposed code modification GC0097.

Under arrangements for the Balancing and Settlement Code, Suppliers are currently permitted to create Additional BMUs which can be aggregated at GSP Group level. The Grid

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

Code requirements on the submission of data however currently do not allow the aggregation at GSP Group level and require submission of data at the GSP level.

The Grid Code modification GC0097 aims at aligning the Grid Code on the Balancing and Settlement Code by allowing the aggregation of data at GSP Group level. This is one of several industry code modification designed to facilitate the implementation of the Project TERRE² and the wider market access to the BM. This code modification is currently with the Authority for decision.

The Authority's Decision

We have considered the derogation request and supporting information from NGET and Limejump in accordance with our principal objective and general duties. We have considered in particular those factors set out in our "Guidance on licence derogation requests" and note:

- that NGET does not anticipate any adverse impact on its ability to operate the transmission system in a safe, economic or efficient manner;
- that NGET has not identified any impact on security of supply, competition, consumers, other parties or health and safety;
- that NGET as part of its work to facilitate wider access to the BM has considered the impact of allowing data to be submitted at a GSP Group rather than GSP level as part of GC0097. NGET has developed several operational processes to facilitate aggregated BMU access and formed mitigating actions to avoid any impact on security of supply;
- that NGET will be requiring the party seeking to access the BM prior to the approval of GC0097 to submit an Aggregator Impact Matrix (AIM) in advance of any formal obligation to ensure the control room can understand the impact of the BMU on the system, should it be called;
- that NGET has developed additional support material for operational staff to facilitate the entry of this first active aggregated BMUs;
- that NGET considered alternative options and the only feasible alternative option is to delay the participation of the provider in the BM until any approval of GC0097. That would not result in the best outcome for end consumers since increased liquidity in the BM may lead to reduced costs for balancing energy actions;
- that there is additional benefit for NGET to test the process of data submission at GSP Group level level in the event that the Authority approves GC0097 and a large number of parties start to register to TERRE and the BM.

For these reasons, the Authority has decided to grant a derogation to NGET from its obligation to implement and comply with BC1.4, BC1.A.1.3.1, BC1.A.1.3.2 and BC1.A.1.5 of the Grid Code in relation to Limejump's BMUs: AG-ALIM01, AG-BLIM01, and AG-ELIM01. The derogation period shall be from 9 July 2018, until implementation of GC0097 decision if approved or a further direction is issued if GC0097 is not approved.

In accordance with this decision we would expect NGET to consider any BSC member interested in submitting derogation requests for the same reasons in a transparent and non-discriminatory manner.

The granting of this derogation sets no precedent for any future derogation requests and every such request will be assessed on its own merits and particular circumstances.

Published alongside this letter is a copy of the Direction for the purpose of the derogation.

² Project TERRE (Trans European Replacement Reserve Exchange) is a European project to implement a new Replacement Reserve (RR) balancing product, which is being developed by a group of European Transmission System Operators (TSOs), including National Grid. The product is required to fulfil requirements on TSOs from the European Electricity Balancing Guideline (EB GL, Regulation (EU) No 2017/2195).

This letter constitutes notice for the purposes of section 49A of the Electricity Act 1989 in relation to the Direction.

Yours sincerely,

Steven Becker
Head of ESO, SO/DSO, Systems & Network