



Making a positive difference
for energy consumers

All Transmission System Operators
and all interested parties and
stakeholders.

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14 September 2018

Dear colleague,

Our¹ decision to assign Transmission System Operator (TSO) obligations under the COMMISSION REGULATION (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL) within GB.

This letter sets out our decision on assigning the responsibility to comply with new obligations under the guideline on electricity balancing (EBGL) to the GB TSOs that are currently operational in GB. Under Article 1(4) of EBGL, 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 EBGL to one or more specific TSOs². 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 EBGL on the process taken with the capacity allocation and congestion management (CACM) Regulation³, with the forward capacity allocation (FCA) Regulation⁴ and with the electricity transmission system operation (SOGL) Regulation⁵.

Consultation responses

Following the publication of our minded to position on the EBGL allocation of responsibilities⁶ on 10 January 2018, we received feedback at our stakeholder workshop held in London on 19 January 2018 and subsequent email correspondence with stakeholders. The key issues raised are summarised in Annex 1, along with our response.

¹ 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.

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. Our decision letter is 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>

⁴ Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation. Our decision letter is here: <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultation-assignment-transmission-system-operator-obligations-under-requirements-generators-demand-connection-high-voltage-direct-current-and-forward-capacity-allocation-regulations-within-gb>

⁵ Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation. Our decision is here: <https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-transmission-system-operation-regulation-within-gb>

⁶ Available at https://www.ofgem.gov.uk/system/files/docs/2018/02/open_letter_setting_out_minded_to_decision_tso_obligations_ebgl_er_soql_final2.pdf

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 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 at the stakeholder workshop in January and the decisions we have made in those relevant areas. Alongside this decision letter, we are publishing a subsidiary document that breaks down the TSO responsibilities between articles, in line with the process we followed for CACM.

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 EBGL. 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 EBGL, but rather reflects GB TSOs' roles and functions under their licences.
- The impact of the EBGL has already been assessed as part of the code development process. As such, there is limited additional value of conducting an additional Impact Assessment⁷.
- Some TSOs obligations apply from the entry into force of the EBGL. As such, there is an urgent need of clarifying each party's obligations under the EBGL.

Future changes to GB TSO obligations under EBGL

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.** EBGL 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.
- **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 EBGL, 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.

If you have any queries regarding the information contained within this letter, please contact Jordan Clarke at Jordan.clarke@ofgem.gov.uk.

Yours faithfully

Grendon Thompson
Head of SO Regulation

⁷ Available at https://ec.europa.eu/energy/sites/ener/files/documents/20130610_eu_balancing_master.pdf

Annex 1 – Summary of key considerations and changes.

Relevant Article	What the Article states	Decision	Change to Current Allocation?	Comments
A.3(2)	When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall: (a) apply the principles of proportionality and non-discrimination; (b) ensure transparency; (c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved; (d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability; (e) ensure that the development of the forward, day-ahead and intraday markets is not compromised; (f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation; (g) consult with relevant DSOs and take account of potential impacts on their system; (h) take into consideration agreed European standards and technical specifications.	All TSOs	Yes	Should apply to all TSOs that will be involved in applying this regulation in some capacity.
A.4	Terms and conditions or methodologies of TSOs.	All TSOs	No	Will remain an all TSO obligation.
A.10(2)	The consultation shall last for a period of not less than one month, except for the draft proposals pursuant to points (a), (b), (c), (d), (e), (f), (g), (h) and (j) of Article 5(2) that shall be consulted for a period of not less than two months.	All TSOs	Yes	Should become an obligation to be involved in consultation to ensure a considered and successful outcome.
A.10(3)	At least the proposals pursuant to points (a), (b), (c), (d), (e), (f), (g), (h) and (j) of Article 5(2) shall be subject to public consultation at European level.	All TSOs	Yes	As above
A.10(4)	At least the proposals pursuant to points (a), (b), (c), (d), (e), (f), (g), (h), (i), (n), and (o) of Article 5(3) shall be subject to public consultation at the concerned regional level.	All TSOs	Yes	As above
A.10(5)	At least the proposals pursuant to points (a), (b), (c), (d), (e), (f), (g) and (i) of Article 5(4) shall be subject to public consultation in each concerned Member State.	All TSOs	Yes	As above
A.12(2)	All entities referred to in Article 1(2) shall ensure that information in paragraphs 3 to 5 is published at a time and in a format that does not create an actual or potential competitive advantage or disadvantage to any individual or companies.	All TSOs	No	Article 1(2) is quite explicit in who this regulation applies to.
A.15(1)	DSOs, TSOs, balancing service providers and balance responsible parties shall cooperate in order to ensure efficient and effective balancing.	All TSOs	Yes	The current allocation is too narrow, given the spirit is around cooperation between parties to support balancing and therefore TOs and OFTOs should be included.
A.15(4)	DSOs shall report to the connecting TSO any limits defined pursuant to paragraphs 4 and 5 of Article 182 of Commission Regulation (EU) 2017/000 [SO] that could affect the requirements set out in this Regulation.	All TSOs	Yes	Should be an all TSO allocation.

A.29(6)	The request for activation of a balancing energy bid from the activation optimisation function shall oblige the requesting TSO and connecting TSO to accept the firm exchange of balancing energy. Each connecting TSO shall ensure the activation of the balancing energy bid selected by the activation optimisation function. The balancing energy shall be settled pursuant to Article 50 and between the connecting TSO and the balancing service provider pursuant to Chapter 2 of Title V.	SO & I/Cs	No	I/Cs have a prominent role in the exchange of energy between TSOs and should therefore be included in this allocation.
A30	Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process.	SO & I/Cs	Yes	I/Cs have a role in defining the pricing of cross-zonal capacity in addition to the SO.
A30(1)	By one year after the entry into force of this Regulation, all TSOs shall develop a proposal for a methodology to determine prices for the balancing energy that results from the activation of balancing energy bids for the frequency restoration process pursuant to Articles 143 and 147 of Regulation (EU) 2017/1485, and the reserve replacement process pursuant to Articles 144 and 148 of Regulation (EU) 2017/1485.	SO & I/Cs	Yes	As above.
A.30(2)	In case TSOs identify that technical price limits are needed for efficient functioning of the market, they may jointly develop as part of the proposal pursuant to paragraph 1 a proposal for harmonised maximum and minimum balancing energy prices, including bidding and clearing prices, to be applied in all scheduling areas. In such a case, harmonised maximum and minimum balancing energy prices shall take into account the maximum and minimum clearing price for day-ahead and intraday timeframes pursuant to Regulation (EU) 2015/1222.	SO & I/Cs	Yes	As above.
A.30(3)	The proposal pursuant to paragraph 1 shall also define a methodology for pricing of cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process. Such methodology shall be consistent with the requirements established under Regulation (EU) 2015/1222, and: (a) reflect market congestion; (b) be based on the prices for balancing energy from activated balancing energy bids, determined in accordance either with the pricing method pursuant to paragraph 1(a), or if applicable, the pricing method pursuant to paragraph 5; (c) not apply any additional charges for the exchange of balancing energy or for operating the imbalance netting process, except a charge to compensate losses if this charge is also taken into account in other timeframes.	SO & I/Cs	Yes	As above.
A.30(4)	The harmonised pricing method defined in paragraph 1 shall apply to balancing energy from all standard and specific products pursuant to Article 26(3)(a). For specific products pursuant to Article 26(3)(b), the concerned TSO	SO & I/Cs	Yes	As above.

	may propose a different pricing method in the proposal for specific products pursuant to Article 26.			
A.30(5)	Where all TSOs identify inefficiencies in the application of the methodology proposed pursuant to paragraph 1(a), they may request an amendment and propose a pricing method alternative to the pricing method in paragraph 1(a). In such case, all TSOs shall perform a detailed analysis demonstrating that the alternative pricing method is more efficient.	SO & I/Cs	Yes	As above.
A.50	Intended exchanges of energy.	SO & I/Cs	Yes	I/Cs have a prominent role in the exchange of energy between TSOs and should therefore be included in this allocation.
A.50(1)	"By one year after the entry into force of this Regulation, all TSOs shall develop a proposal for common settlement rules applicable to all intended exchanges of energy as a result of one or more of the following processes pursuant to Articles 146, 147 and 148 of Commission Regulation (EU) 2017/000 [SO], for each of the following: (a) the reserve replacement process; (b) the frequency restoration process with manual activation; (c) the frequency restoration process with automatic activation; (d) the imbalance netting process."	SO & I/Cs	Yes	As above
A.50(2)	Each TSO-TSO settlement function shall perform the settlement in accordance with the settlement rules pursuant to paragraph 1.	SO & I/Cs	Yes	As above
A.50(4)	"By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs intentionally exchanging energy between synchronous areas shall develop a proposal for common settlement rules applicable to intended exchanges of energy, as a result of one or both: (a) frequency containment process for active power output on synchronous area level pursuant to Articles 172 and 173 of Commission Regulation (EU) 2017/000 [SO]; (b) ramping restrictions for active power output on synchronous area level pursuant to Article 137 of Commission Regulation (EU) 2017/000 [SO]."	SO & I/Cs	Yes	As above
A.51	Unintended exchanges of energy.	SO & I/Cs	Yes	As above
A.54(3)	"Until the implementation of the proposal pursuant to Article 52(2), each TSO shall calculate the final position of a balance responsible party using one of the following approaches:	SO	No	Remains an SO obligation to elements not assigned by BEIS to the BSCCo.

	<p>(a) balance responsible party has one single final position equal to the sum of its external commercial trade schedules and internal commercial trade schedules;</p> <p>(b) balance responsible party has two final positions: the first is equal to the sum of its external commercial trade schedules and internal commercial trade schedules from generation, and the second is equal to the sum of its external commercial trade schedules and internal commercial trade schedules from consumption;</p> <p>(c) in a central dispatching model, a balance responsible party can have several final positions per imbalance area equal to generation schedules of power generating facilities or consumption schedules of demand facilities."</p>			
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