

All interested parties and stakeholders.

Date: 25 September 2018

Dear colleague,

**Our decision on Balancing and Settlement Code (BSC) P369: National Grid Legal Separation changes to BSC (P369): The Authority<sup>1</sup> directs that this modification be made<sup>2</sup>.**

A new Electricity System Operator (ESO) entity (NGESO) is being established within the National Grid (NG) Group, that is legally separate from the transmission owner, NG Electricity Transmission (NGET). The separation will allow the new ESO to play a more proactive role in managing an increasingly flexible electricity system that can realise benefits for consumers. The formal separation of the system operator functions from NGET's licence will come into effect on 1 April 2019.

The Balancing and Settlement Code (BSC) as well as the Code Subsidiary Documents (CSDs) include multiple references to NGET in terms of the ESO functions set out in its Transmission Licence. Each of these references need to be reviewed to ensure that the references continue to remain accurate following the legal separation of the ESO functions from NGET and their transfer to NGESO.

**The modification proposal**

P369 aims to ensure all references remain accurate following the legal separation of the ESO functions from NGET, and their transfer to NGESO. NGET presented the draft modification report to the Panel at its meeting on 9 August 2018.

This Modification proposes to:

- introduce a definition for the term 'National Electricity Transmission System Operator' and abbreviation 'NETSO' to refer to the entity named National Grid Electricity System Operator Limited;
- amend all references which refer to ESO functions to become 'National Electricity Transmission System Operator' or 'NETSO';
- amend all references of Transmission Company which refer to ESO functions, to become 'NETSO'; and
- Delete the definition of 'Transmission Company'.

'National Electricity Transmission System Operator' and 'NETSO' will be defined in BSC Section X, Annex X-1 'General Glossary'. The definition will refer to NG's ESO obligations

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<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

only and include the acronyms and words: 'NGESO', 'National Grid Company' and 'NGC'. All references to 'NGET', the 'National Grid Electricity Transmission Limited', 'National Grid', 'System Operator' and 'Transmission Company' will be updated to become NETSO. This is to ensure that all references to the various terms are accurate and align with NGESO's future functions, as well as to avoid any possible confusion over future responsibilities.

A definition for NGET is not required to be added to the Code as all references within the BSC relate only to ESO functions. Additionally, the term 'Transmission Company' will become redundant and therefore no definition shall be replaced into Annex X-1 for this term.

### **BSC Panel<sup>3</sup> recommendation**

At the BSC Panel meeting on 9 August 2018, the BSC Panel determined that P369 better facilitates Applicable BSC Objective (a) and unanimously recommended to the Authority that P369 should be approved.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 August 2018. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR<sup>4</sup>. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>5</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>6</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objective (a), and has a neutral impact on the other applicable objectives. We give reasons for our decision below against the objectives the Panel considered relevant (objective a).

#### ***(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence***

We agree with the Proposer and the Panel and believe that this Modification will better facilitate Applicable BSC Objective (a) as it is attributing the appropriate obligations to NGESO as the System Operator, in accordance with the proposed new NGESO Transmission Licence and modified NGET Transmission Licence obligations.

### **Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P369 'National Grid Legal Separation changes to BSC' be made.

### **Louise van Rensburg**

#### **Interim Deputy Director – SO and Whole System, Systems & Networks**

Signed on behalf of the Authority and authorised for that purpose

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<sup>3</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at: [www.epr.ofgem.gov.uk](http://www.epr.ofgem.gov.uk)

<sup>4</sup> BSC modification proposals, modification reports and representations can be viewed on the Elaxon website at [www.elaxon.co.uk](http://www.elaxon.co.uk)

<sup>5</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence: <https://epr.ofgem.gov.uk>

<sup>6</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.