

All interested parties,  
stakeholders in GB and beyond,  
and other regulatory bodies

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Dear colleagues,

**Request for amendment to the proposals to meet the obligation to develop proposals listed in Article 118 and 119 of the SOGL Regulation**

On 14 September 2018, we<sup>1</sup> received two methodologies from the relevant Transmission System Operators (TSOs) in accordance with Articles 118 and 119 of Commission Regulation (EU) 2017/1485<sup>2</sup> (the SOGL Regulation). The methodologies contain the proposals required by Articles 118 and 119, that are relevant to GB, including those requiring our approval. The methodologies were submitted to us by the Electricity System Operator (ESO) in line with our assignment of obligations.<sup>3</sup>

This letter sets out our decision to request amendments to the documents. The letter furthermore outlines the necessary next steps that must be taken.

**Background**

In accordance with Article 118 of the SOGL Regulation, the TSOs of a synchronous area must develop a series of proposals. Only the proposals stated in Article 118(1)(a), (b), (c), (m), (t), (y), (z) and (aa) are subject to approval by the authority.

- (a) *the dimensioning rules for FCR in accordance with Article 153;*
- (b) *additional properties of FCR in accordance with Article 154(2);*
- (c) *the frequency quality defining parameters and the frequency quality target parameter in accordance with Article 127;*
- (m) *for the GB and IE/NI synchronous areas, measures to ensure the recovery of energy reservoirs in accordance with to Article 156(6)(b);*
- (t) *for synchronous areas other than CE and if applicable, the limits for the exchange of FCR between TSOs in accordance with Article 163(2);*
- (y) *for the GB and IE/NI synchronous areas, the methodology to determine the minimum provision of reserve capacity on FCR in accordance with Article 174(2)(b);*

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<sup>1</sup> 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.

<sup>2</sup> Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation. The SOGL Regulation came into force on 14 September 2017.

<sup>3</sup> See Ofgem decision on our TSO assignment at: <https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-transmission-system-operation-regulation-within-gb>.

- (z) *the methodology to determine limits on the amount of exchange of FRR between synchronous areas defined in accordance with Article 176(1) and the methodology to determine limits on the amount of sharing of FRR between synchronous areas defined in accordance with Article 177(1); and*
- (aa) *the methodology to determine limits on the amount of exchange of RR between synchronous areas defined in accordance with Article 178(1) and the methodology to determine limits on the amount of sharing of RR between synchronous areas defined in accordance with Article 179(1).*

In accordance with Article 119 of the SOGL Regulation, the TSOs of a Load Frequency Control (LFC) block must develop a series of proposals. Only the proposals stated in Article 119(1) (c), (h), (q), and (r) are subject to approval by the authority.

- (c) *ramping restrictions for active power output in accordance with Article 137(3) and (4);*
- (h) *the FRR dimensioning rules defined in accordance with Article 157(1);*
- (q) *coordination actions aiming to reduce FRCE as defined in Article 152(14);*
- (r) *measures to reduce the FRCE by requiring changes in the active power production or consumption of power generating modules and demand units in accordance with Article 152(16).*

In Great Britain, some sections of the Grid Code and the National Electricity Transmission System Security and Quality of Supply Standards (NETS SQSS) already contain some of the provisions related to the proposals that must be developed in accordance with Articles 118 and 119. These provisions have been created by virtue of the Electricity Act 1989 and of National Grid's Transmission License.

The methodologies that were submitted ("Synchronous Area Operational Methodology" and "LFC Block Operational Methodology") to the authority in order to meet the obligations of Articles 118 and 119 were in the form of two "methodologies". The submitted methodologies propose that some of the existing provisions relating to system operation under the Grid Code and NETS SQSS serve as the official provisions constituting proposals required by Articles 118 and 119 of the SOGL Regulation. A table, mapping the requirements of the SOGL Regulation against the existing provisions under the Grid Code and the NETS SQSS, was provided in the annexes of these documents. For obligations that are not already met by the Grid Code and the NETS SQSS, the ESO included these as new provisions within these methodologies.

The documents containing the proposals required by Articles 118 and 119 were consulted upon in accordance with Article 11(1) of the SOGL Regulation.<sup>4</sup>

## Decision

We have reviewed the documents submitted to us in line with the requirements of the SOGL Regulation, the wider objectives of the Regulation (EC) No 714/2009<sup>5</sup> and our statutory duties and obligations. We furthermore engaged with the Electricity System Operator (ESO) to clarify our understanding of the proposed methodologies.

We have concluded that the methodologies cannot be approved in their current forms and that they need to be amended. Our main concern is that the submitted methodologies *referred* to the proposals as well as *constituted* them. We believe that this combination will add unnecessary complexity when amending either the submitted documents or the referenced codes. By having obligations in multiple locations, it will also make it difficult for market participants to understand the obligations.

In addition, we believe that the TSO does not need to develop a methodology,<sup>6</sup> and that it would be more appropriate for the TSO to submit individual proposals and to provide a consolidated mapping for information rather than an independent methodology.

<sup>4</sup> See consultation here: <https://www.nationalgrideso.com/codes/european-network-codes/meetings/consultation-article-18-electricity-balancing-guideline-eb-q/>

<sup>5</sup> Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

<sup>6</sup> The ESO cannot create an agreement with itself, but that does not necessarily mean that an agreement needs to be replaced by a methodology. While we understand that the TSO cannot conclude an agreement with itself, by creating a methodology, the TSO is going beyond what is required by the SOGL Regulation.

We hereby request the relevant TSO to amend the methodologies that were submitted to us. When resubmitting the amended proposals, the ESO should take into consideration the following recommendations:

- a) The resubmission should be clear that the existing provisions of the GB industry codes and standards are the provisions that form the proposals required by Articles 118 and 119 of the SOGL Regulation. It must also be ensured that any future amendment of these proposals will be compliant with the processes outlined in the SOGL Regulation. As the implementation of any SQSS modification also requires subsequent licence changes, we believe any proposed linkage between the SOGL Regulation and the NETS SQSS governance needs to consider this requirement.
- b) In addition, where current provisions in the GB industry codes and standards do not meet the requirements of the relevant proposals, it is important that the necessary additional modifications are initiated, and mapped. We expect the relevant TSO to run a detailed exercise to ensure that all and only the necessary provisions are identified and captured by the GB codes.

#### *Decision not to undertake an Impact Assessment*

We have not undertaken an Impact Assessment for this proposal. This is because we consider that the proposal would not constitute a significant change to existing GB requirements and arrangements. The adoption of Articles 118 and 119 is furthermore a requirement of the SOGL Regulation, which has already been subject to an impact assessment.<sup>7</sup> Accordingly, we consider that an impact assessment is unnecessary in this situation.

#### **Next Steps**

In accordance with Article 7(1) of the SOGL Regulation, the relevant TSOs must make the necessary amendments to the proposals for Article 118 and 119 to address the points set out in the text above and re-submit amended proposals to us within two months of this decision.

Given the format of the original submissions, we note that this request for amendment may create a difference in status between the proposals that require regulatory approval and those that do not. We therefore encourage the ESO to take into consideration our position on the proposals that require regulatory approval, and to apply a consistent solution to all the proposals required by Articles 118 and 119 of the SOGL Regulation. i.e. our preference is that all the provisions that form the proposals required by Articles 118 and 119 reside in the GB industry codes and standards.

If you have any queries regarding the information contained within this letter, please contact Alastair Owen at [Alastair.Owen@Ofgem.gov.uk](mailto:Alastair.Owen@Ofgem.gov.uk).

Yours faithfully

**Leonardo Costa**  
**Senior Manager, SO/DSO**

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<sup>7</sup> Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016SC0410>