Modification proposal:	**Grid Code GC0114: System Operation Guidelines Prequalification Processes (GC0114)**		
Decision:	The Authority[1] directs[2] that the proposed modification to the Grid Code be made		
Target audience:	National Grid Electricity Transmission PLC (NGET), the Grid Code Review Panel, Grid Code users and other interested parties		
Date of publication:	9 May 2019	Implementation date:	10 working days after date of this decision

Background

In accordance with Articles 155(1), 159(1), 162(1) of Regulation (EU) 2017/1485[3] (the SOGL Regulation), the relevant Transmission System Operators (TSOs) in GB are required to develop prequalification processes for Frequency Containment Reserves (FCR), Frequency Restoration Reserves (FRR) and Replacement Reserves (RR). NG Electricity System Operator (ESO) has proposed that these new prequalification processes should be developed under the established governance of the Grid Code.

The prequalification processes aims to ensure that Balancing Service Providers[4] (BSPs) offering FCR, FRR or RR comply with the technical and the additional requirements set out in Articles 154, 158 and 161 of the SOGL Regulation. Compliance is demonstrated by successfully completing the prequalification process organised by the reserve connecting TSO.

The modification proposal

The modification GC0114 was raised in September 2016 by National Grid to amend the Grid Code which covers all material technical aspects relating to prequalification, operation and use of the national electricity transmission system (NETS).

This proposal seeks to modify the Grid Code to include prequalification processes, as required by the SOGL Regulation. It proposes to introduce a new section titled "Balancing Code 5 Prequalification (BC5)" into the Grid Code. This section sets out the FCR, FRR, and RR prequalification processes. In addition, the modification proposes to remove the prequalification requirements for Project TERRE participants from BC4 and replace it with a statement that Project TERRE participants are required to complete the prequalification process detailed in BC5.

Under the original modification proposal, details of the testing requirements for FCR, FRR and RR products would reside in the Standard Contract Terms (SCTs). Due to this, DRAX Generation raised a Workgroup Alternative Code Modification (WACM) in order to codify the FCR, FRR and RR products and their testing requirements in the Grid Code in addition

[1] 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.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.
[3] 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.
[4] 'Balancing Service Provider' means a market participant with reserve-providing units or reserve-providing groups able to provide balancing services to TSOs. See Article 2(6) of the EBGL.

to the prequalification processes that the original modification proposes to include in the Grid Code.

Grid Code Review Panel recommendation

At its meeting on 28 February 2019, the Grid Code Review Panel (the Panel) assessed GC0114 original and alternative modifications against the Applicable Grid Code Objectives. The Panel members agreed by majority that the original modification was better than the alternative modification and the baseline and recommended that it should be implemented.

The outcome of the Panel's vote was in contrast to that of the Workgroup, but in line with the majority of consultee respondents who also favoured the original proposal.

Our decision

We have considered the issues raised by the modification proposal and in the Final Modification Report[5] (FMR) dated 15 March 2019. We have considered and taken into account the responses to the industry consultation on the modification proposal. We have concluded that:

- implementation of the original modification proposal will better facilitate the achievement of the objectives of the Grid Code;[6] and
- approving the modification is consistent with the our principal objective and statutory duties.[7]

Reasons for our decision

We consider that the original modification proposal will better facilitate the Grid Code objectives (ii), (iii) and (iv) and that it has a neutral impact on the other objectives.

(ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity)

We believe that both the original modification and the WACM better facilitate objective (ii) compared to the baseline. Both promote competition by setting out clear rules that all parties must follow before being able to provide these balancing services. This should enable more parties to join the market and increase the balancing options available to the ESO.

As mentioned above, the key difference between the original modification and the WACM is that testing requirements are included in the WACM. For the reasons outlined below, on balance we believe that the original modification better facilitates objective (ii) compared to the WACM.

[5] Grid Code proposals, final reports and representations can be viewed on NGET's website at: http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Modifications/
[6] As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, available at: https://epr.ofgem.gov.uk/
[7] The Authority's statutory duties are wider than matters which the Grid Code Panel Review must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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- Consultation responses suggest that the annual process of consultation that SCTs go through would be better suited to smaller market participants and new entrants. This is because they feel more empowered to request changes through this system compared to the Grid Code.
- Including testing requirements in the SCTs, which have a more agile change process, will make it easier to refine the requirements in order to adapt to future balancing products and emerging technologies.
- Testing would be aimed at ensuring that BSPs are capable of meeting the RR, FRR and FCR minimum technical requirements, and we believe that including details of testing requirements in the SCTs will give BSPs greater flexibility in how they demonstrate that those common technical requirements are met.

On balance, we believe that the points above outweigh the benefits of the additional transparency that codifying the testing requirements would provide. Therefore, we believe that the original modification will help more parties to participate and as a result increase competition as well as providing an appropriate level of information transparency to promote fair competition in the market.

In this respect, we consider that the original modification better facilitates objective (ii).

(iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole

The new prequalification process will be clearly set out in the GB codes. They will provide the rules that all parties must follow before being able to provide these balancing services, and ensure that the minimum technical criteria for providing these services are met. This greater transparency compared to the baseline will help more market participants to complete the technical prequalification. This will increase the number of BSPs that can be activated in order to maintain the system security. We therefore consider that both the original and WACM are better than the baseline.

Taking into account emerging technologies as well as our evolving electricity system, we believe that there is a need to have the tools to respond more quickly to new demands which would require more agile implementation of changes to the testing requirements. In addition, in a fast changing system, we believe that it's appropriate to allow the ESO to have more influence over testing requirements. Finally, all BSPs will be tested against a standard set of technical criteria regardless of whether testing requirements are in the SCTs or the Grid Code. As a result, we believe that there are benefits to including details of testing requirements in the SCTs rather than the Grid Code, and on balance, the original modification would help promote the security of the electricity system slightly more so than the WACM.

In this respect, we consider that the original modification better facilitates objective (iii).

(iv) to efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency.

The modification proposal is directly aimed at ensuring GB compliance with the SOGL Regulation. The SOGL Regulation requires that a potential FCR, FRR or RR provider shall demonstrate to the reserve connecting TSO that it complies with the technical and the

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additional requirements by successfully completing the prequalification processes outlined in Articles 155, 159, and 162 of the SOGL Regulation.

The original proposal makes the necessary grid code changes to ensure compliance with the SOGL Regulation. The WACM does this and also includes details of testing requirement as well. We note that the relevant Articles in the SOGL Regulation on prequalification processes do not place any requirements on TSOs to set testing requirements. However, both the original modification and the WACM ensure compliance with Articles 155, 159, and 162 of the SOGL Regulation.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that Grid Code modification proposal Grid Code GC0114: *'System Operation Guidelines Prequalification Processes'* be made.

Leonardo Costa
Senior Manager, SO/DSO, Systems & Networks
Signed on behalf of the Authority and authorised for that purpose

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