

All interested industry parties and
stakeholders in GB

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Open letter on the delays to the implementation of TERRE in GB

This letter sets out our views on the ESO's delays to implementing TERRE in GB. It also outlines the necessary next steps that need to be taken to improve its approach to addressing any outstanding implementation details.

Background

On 27 November 2019, we issued a decision¹ to grant the ESO a derogation from the use of the TERRE platform. This decision extended the date by which the ESO was required to use the platform from 15 January 2020 to 30 June 2020.

On 24 April 2020, we issued an open letter to the ESO.² In that letter, we set out a process for the ESO to demonstrate necessary delays in 'lower priority' ESO activities to enable the ESO's response to the COVID-19 pandemic. If the ESO followed this process, Ofgem should be in a position to support the ESO's decisions and any shortfalls in performance associated with de-prioritised work during the period of COVID-19 measures would be taken into consideration under our incentives scheme. This framework of regulatory flexibility was put in place for an initial period until 30 June 2020.

On 16 June 2020, we issued a further open letter to the ESO.³ In that letter, we noted our understanding that TERRE implementation would be delayed beyond the end of the framework of regulatory flexibility we introduced in response to the COVID-19 pandemic.

¹ This decision is available at the following address: <https://www.ofgem.gov.uk/publications-and-updates/decision-grant-eso-derogation-use-terre-platform>

² This letter is available at the following address: https://www.ofgem.gov.uk/system/files/docs/2020/05/ofgem_response_to_eso_covid-19_impact_letter_may_2020_0.pdf

³ This letter is available at the following address: https://www.ofgem.gov.uk/system/files/docs/2020/06/update_on_regulatory_flexibility_framework_for_eso.pdf

Following this, we made it clear to the ESO that the exception for TERRE implementation would end on 27 October 2020.

On 4 September 2020, the ESO published an update⁴ stating that the COVID-19 pandemic created resourcing challenges that had an impact on the go-live of its Application Programme Interface (API) for Wider Access to the GB Balancing Market. It said that this delay has also had an impact on the implementation of TERRE, meaning that go-live for TERRE will not be achieved before early December, and also suggested that implementation should be delayed until 1 January 2021 given the uncertainty surrounding the UK's access to EU balancing platforms.

Ofgem's response

In our derogation decision, we requested the ESO to publish monthly updates on the progress of GB implementation and on the progress of RTE's implementation to help balancing service providers (BSPs) be ready to participate in the platform once implemented. We also requested the ESO to engage with GB-France interconnectors to address any outstanding implementation details, and ensure that these are developed in time to allow for sufficient testing so that GB can participate fully in the TERRE platform.

Nevertheless, we note that since this decision, industry stakeholders have expressed frustration at the delays, lack of certainty regarding the implementation timelines and the level of engagement they've received from the ESO. Stakeholders have stated that they have not had sufficient clarity to plan the necessary updates to their own systems and that this is leading to increased costs and uncertainty.

As a result, we are of the view that even when taking into consideration the difficulties presented by COVID-19, the ESO's engagement with stakeholders in this area has been below our expectations.

During the transition period, the obligations stemming from EU legislation on the ESO have not changed. However, the ESO has suggested that TERRE implementation in 2020 is not prudent and should be delayed until the position in January 2021 is clearer for the following reasons:

- 1) their tentative earliest possible TERRE implementation date of mid-December 2020;
- 2) the uncertainty surrounding the UK's access to EU balancing platforms from 1 January 2021; and
- 3) the lack of readiness of key stakeholders such as the IFA interconnector.

⁴ This update is available at the following address: <https://www.nationalgrideso.com/document/176006/download>

We accept that these are each relevant factors, but consider that the ESO's lack of clear planning beyond 1 January 2020, as well as apparent contingency planning, and communication of these plans to industry stakeholders, could lead to much longer delays to TERRE implementation. As a result, we consider that the ESO is, and risks continuing to be, below our expectations for this area of work. We expect the ESO to have clear plans as outlined below, and these should be in place by the end of 2020 before we reassess whether to take any additional action.

Expected immediate next steps

In order to meet our expectations for the remainder of the 2020-21 incentive year, the ESO will need to improve its approach to the implementation of TERRE. In particular, we expect the ESO to:

- 1) bring together all interested stakeholders (e.g. GB-France interconnectors, Elexon, and market participants) to consider, plan and address all outstanding implementation details through the creation of a 'GB TERRE Implementation Group';
- 2) collaborate with interconnectors, Elexon, and other GB parties to develop a new GB implementation plan based on a small range of credible scenarios for 1 January 2020;
- 3) ensure that plan is widely available, and that all those parties have clarity on what actions they need to take and by when under the credible scenarios;
- 4) make quick progress against that plan as soon as we have certainty of what the situation will be on, or after, 1 January 2020;
- 5) ensure that there are measures in place to enable the ESO to continue to access cross-border balancing services with other TSOs in the event of no access to the TERRE platform; and
- 6) ensure that the delays associated with go-live of the API and TERRE implementation do not lead to knock-on delays to other 2020-21 Forward Plan deliverables, creating further losses of benefits to the GB consumer and market.

If you have any queries regarding the information contained within this letter, please contact Alastair Owen (Alastair.Owen@ofgem.gov.uk).

Yours faithfully,

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