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Modification proposal:	**Grid Code GC0099: Establishing a common approach to interconnector scheduling consistent with the single intraday market coupling processes set out within Regulation (EU) 2015/1222 (CACM)**		
Decision:	The Authority[1] directs[2] that the proposed modification to the Grid Code[3] 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:	14 June 2018	Implementation date:	1 November 2018

Background

GC0099 seeks to establish a common approach to interconnector scheduling and to introduce an Interconnector Scheduled Transfer (IST) process within the Grid Code. Currently, the IST process is not clearly set out within the Grid Code and bespoke arrangements are in place for each interconnector.

Commission Regulation (EU) No 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter CACM)[4] sets out the European Union-wide minimum harmonised rules for the single day-ahead and intraday market coupling. One of the rules requires that the single intraday market coupling should occur up to the point known as "intraday cross zonal gate closure time" (Gate Closure). To help achieve this goal, transmission system operators across Europe, including National Grid Electricity Transmission (NGET), will participate in the Cross-border Intraday (XBID) market coupling project.

The single intraday market coupling project facilitates the *continuous* matching of orders entered by cross-border market participants and the *continuous* allocation of the corresponding necessary cross-zonal capacities within the intraday timeframe, allowing parties to balance their positions closer to real time. The implementation of the single intraday market coupling as described in CACM will move the Gate Closure to a maximum of one hour before the start of the relevant delivery period compared to the current 2-8 hours. Without amending the Grid Code to facilitate these new arrangements, balancing the network may unnecessarily become more difficult and result in higher imbalance charges.

In order to mitigate this risk and facilitate the impending changes, NGET has proposed the Grid Code modification GC0099. This modification proposal seeks to introduce the IST process within the Grid Code to establish common timings compatible with both the EU single intraday market coupling process, and the EU and GB balancing processes.

[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] The complete Grid Code is available here.
[4] The CACM Regulation, available here, came into force 14 August 2015. It aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade, through market coupling in the day-ahead and intraday timeframes. Market coupling should make sure power is produced where it is most efficient and used where it is most valued, to lower prices for consumers and support secure and sustainable supply.

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The modification proposal

NGET (the Proposer) raised Grid Code modification GC0099 on 30 May 2017. GC0099 proposes that the Balancing and Settlement Code (BSC)[5] definition of the IST process is included within the Grid Code and new requirements are introduced on Interconnector Owners to submit IST data to NGET no later than 10 minutes after Gate Closure. Specifically, the modification would introduce new clauses BC1.4.7 and BC2.13 into the Grid Code.

The intention is that Interconnector Owners submit an IST to NGET representing the anticipated active energy flow across the interconnector that is updated from day ahead through until ten minutes after Gate Closure. The purpose of this is so the IST notified to NGET fully represents the market results, including long-term allocations, single day ahead and the single intraday market coupling transactions. This will help the system operator balance the system more efficiently.

The Workgroup which was set up to consider GC0099 raised two Workgroup Alternative Code Modification (WACM) proposals. The key differences between them are outlined below:

- The Original modification proposal suggested that Interconnector Owners should deliver an updated IST to NGET *by 10 minutes* after each Gate Closure.
- WACM1, suggested that Interconnector Owners should deliver an updated IST to NGET by 10 minutes after each Gate Closure *at least 96% of the time per calendar month*.
- WACM2, suggested that Interconnector Owners *should use best endeavours* to deliver an updated IST to NGET by 10 minutes after each Gate Closure.

The modification proposal was subject to Workgroup Consultation[6] that ran simultaneously with a consultation on BSC modification P356[7]. The latter was raised to allow IST updates post Gate Closure within the BSC processes. A respondent from National Grid Interconnectors highlighted the need for a 'best endeavours' clause to be included as part of the modification. This suggestion is incorporated in WACM2.

Grid Code Review Panel recommendation

On 26 April 2018 the Grid Code Review Panel[8] (GCRP) reviewed the Original proposal, WACM1 and WACM2 against the Grid Code objectives[9]. GCRP members agreed by majority that each solution better facilitates the applicable Grid Code Objectives than the current baseline. GCRP voted WACM2 as the best option and recommended that it should be implemented.

[5] The Balancing and Settlement Code is a legal document which defines the rule and governance for the balancing mechanism and imbalance settlement processes of electricity in Great Britain.
[6] The Workgroup Consultation was published on 09 October 2017 and was open for fifteen days.
[7] BSC Modification P356 Assessment Procedure Consultation responses can be found here.
[8] The GCRP GCRP is established and constituted pursuant to and in accordance with Section GR.3 of the Grid Code available here.
[9] As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, available at: https://epr.ofgem.gov.uk/

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GCRP agreed with the Proposer that GC0099 will better facilitate the Grid Code applicable objectives 1 (b)(i)[10], (ii)[11], (iii)[12] and (iv)[13]. GCRP is of the opinion that GC0099 would have a neutral impact on objective (v)[14].

Our decision

We have considered the issues raised by the modification proposal and in the Final Modification Report dated 9 May 2018. We have considered and taken into account the responses to the industry consultation on the modification proposal which are included in the Final Report[15]. We have concluded that:

- implementation of the modification proposal WACM2 will better facilitate the achievement of the objectives of the Grid Code compared to the Grid Code baseline, the Original proposal and WACM1;[16] and
- approving the modification is consistent with our principal objective and statutory duties.[17]

Reasons for our decision

We consider that WACM2 will better facilitate Grid Code objectives (i), (iii) and (iv) and have a neutral impact on the (ii) and (v). We also consider that the Original proposal and WACM1 will better facilitate Grid Code objectives (i), (iii) and (iv) and have a neutral impact on (ii) and (v).

We consider WACM2 to be the best solution out of the three presented in the FMR. Interconnector Owners currently submit information to NGET via communication channels, which under normal circumstances will be sufficient to meet a 10 minute deadline. However, as the IST file submission is required 24 times per day, it is possible that the communication channels could fail which may compromise Interconnector Owners' ability to complete file transfers between the relavent systems within a 10 minute window. The changes proposed in the Original proposal and WACM1 may result in Interconnector Owners becoming non-compliant with the Grid Code due to the failure of communication channels beyond their control. We also note that the Workgroup members' concerns on additional significant costs associated with setting up zero failure internet communications. Further, as the single intraday market coupling and systems associated with it which are related to this modification have not yet been introduced and are evolving, it is unclear how easy it will be to transfer the necessary data to NGET. Without this evidence, we could not justify a decision to approve the Original proposal

[10] See standard condition C14(1), objective (b)(i), of NGET's transmission Licence: "to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity".
[11] See standard condition C14(1), objective (b)(ii), of NGET's transmission Licence: "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)".
[12] See standard condition C14(1), objective (b)(iii), of NGET's transmission Licence: "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".
[13] See standard condition C14(1), objective (b)(iv), of NGET's transmission Licence: "to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency".
[14] See standard condition C14(1), objective (b)(v), of NGET's transmission Licence: "to promote efficiency in the implementation and administration of the Grid Code arrangements."
[15] 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/
[16] As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, available at: https://epr.ofgem.gov.uk/
[17] The Authority's statutory duties are wider than matters which GCRP must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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which would indirectly impose significant costs on Interconnector Owners at this time. WACM2 provides the flexibility preferred at this time.

Furthermore, we do not believe the proposition in WACM1 that Interconnector Owners should deliver an updated IST to NGET by 10 minutes after each Gate Closure *at least* 96% of the time per calendar month has been sufficiently justified. The proposed legal text for WACM1 contained within the Final Modification Report included a target of 96% of the time per calendar month. Nonetheless, the justification for WACM1 in the Report refers to a target of 95%. We are concerned that target specified is arbitrary and therefore are unconvinced it is suitable.

The changes proposed in WACM2 are worded appropriately to ensure that Interconnector Owners do their utmost to submit IST information to NGET in a timely fashion but will not see them non-compliant for issues outside of their control.

(i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity

The introduction of the single intraday market coupling described in CACM will move the intraday cross-zonal gate closure to at most one hour before the start of the relevant delivery period from the current 2-8 hours. In other words, parties can trade electricity up to one hour before delivery. Whilst this is a positive move, it has the potential to make balancing the system more difficult as there is less time for the system operator to forecast supply and demand.

GC0099 aims to ensure the system operator receives IST data which accurately reflects the results of the single intraday market coupling from each Interconnector Owner in a timely fashion. This should give the system operator sufficient time to accurately assess supply and demand and take appropriate measures to balance the system. Ultimately, this helps NGET operate the system in a more efficient, coordinated and economic fashion.

(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)

It is not clear to us that GC0099 better facilitates objective (ii). Other than facilitating compliance with CACM, which aims to promote effective competition in the generation, trading and supply of electricity, no evidence provided supports the claim that this modification better facilitates this objective.

We consider potential effects on competition to be attributed to CACM rather than to GC0099. As such, we consider that GC0099 would have a neutral impact on 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

This modification should improve the security and efficiency of the system as a whole. As explained above, GC0099 will improve the system operator's ability to balance the system, as they will be better able to forecast supply and demand. This will enable them to assess the need for electricity generation with greater accuracy, ensuring the operational security of the transmission and distribution systems are not compromised.

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We acknowledge the views of one Workgroup member and one GCRP member who suggest that this objective would not be optimally fulfilled or better facilitated by the implementation of WACM2. This argument is based on the reasoning that from the scenario analysis set out in the Final Modification Report, significant additional costs could accrue should NGET not receive IST updates within 10 minutes of Gate Closure which would ultimately influence the prices charged to consumers if later submissions of information were allowed as in WACM1 and WACM2. For this reason, it is argued that neither WACM1 nor WACM2 fulfil the objective (iii) in that neither 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.

We believe that WACM2 would better facilitate objective (iii) than the current Grid Code baseline for the reason explained in the first paragraph. Moreover, we recognise the benefits of the Original proposal on objective (iii) but remain of the position that it does not provide the best solution overall when compared with WACM2 for the reasons stated above.

(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.

GC0099 will facilitate compliance with CACM which forms part of European Electricity Regulation. It will enable the efficient incorporation of CACM by amending the Grid Code to work efficiently with the single intraday market coupling.

The implemenatation of GC0099 will need to coincide with the implementation of corresponding BSC modification P356. We understand P356 can be implemented with the next release of BSC on 1 November 2018, therefore this modification should also be implemented on the same day.

Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that Grid Code modification proposal Grid Code GC0099: *'Establishing a common approach to interconnector scheduling consistent with the single intraday market coupling processes set out within Regulation (EU) 2015/1222 (CACM)'* be made.

Peter Bingham
Chief Engineer
Signed on behalf of the Authority and authorised for that purpose

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