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Dear colleagues,

Implementation of the requirements listed in Article 118 and 119 of the SOGL Regulation: The Authority's decision

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

On 14 March 2019, we requested amendments in order to meet the obligation to develop proposals listed in Article 118 and 119 of the SOGL Regulation.[4] On 14 May 2019, the ESO submitted to Ofgem a mapping of the obligations already covered by the Grid Code and the National Electricity Transmission System Security and Quality of Supply Standards (NETS SQSS) and announced that it would also submit an amended intermediate methodology containing the other obligations. The latter was submitted on 6 June 2019 and we therefore consider the 6 June 2019 to be the date by which we received the ESO's complete submission.

This letter acknowledges that the obligations mapped to the Grid Code and NETS SQSS cover most of the requirements of Articles 118 and 119 of the SOGL Regulation and approves the intermediate methodology, which covers the remaining requirements of Articles 118 and 119 of the SOGL Regulation. This letter furthermore outlines the necessary next steps that must be taken.

[1] 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.
[2] 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.
[3] See Ofgem decision on TSO assignment of tasks at: https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-transmission-system-operation-regulation-within-gb.
[4] See Ofgem decision at: https://www.ofgem.gov.uk/publications-and-updates/request-amendment-proposals-meet-obligation-develop-proposals-listed-article-118-and-119-sogl-regulation

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);
(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, the Grid Code and the NETS SQSS already contain most of the provisions of the proposals required by Articles 118 and 119 of the SOGL Regulation. The Grid Code and NETS SQSS were created by virtue of the Electricity Act 1989 and of National Grid's Transmission License.

In its resubmission, the ESO provided two documents for our assessment:

i) On 14 May 2019 the ESO submitted a mapping document linking the majority of the provisions of Article 118 and 119 of the SOGL Regulation requiring TSOs to develop methodologies for our approval with the current provisions of the Grid Code and NETS SQSS. The ESO asks us to acknowledge that the provisions of the Grid Code and NETS SQSS referenced in the mapping already satisfy the requirements of Article 118 and 119 of the SOGL Regulation. This mapping document was updated and resubmitted to us on 11 July 2019; and

ii) On 6 June 2019 the ESO submitted a proposed methodology (titled "Intermediate GB Synchronous Area + LFC Block Operational Methodology Synchronous Area Operational Methodology"). The proposal is intended to contain the provisions which are required by Articles 118 and 119 of the SOGL Regulation and are not yet contained in the Grid Code and NETS SQSS. Once approved, this intermediate methodology would have immediate effect and would apply until its provisions are incorporated into either the Grid Code or the NETS SQSS. The ESO asks us to approve the methodology.

These documents were consulted upon in accordance with Article 11(1) of the SOGL Regulation.[5]

[5] See consultation here: https://www.nationalgrideso.com/codes/european-network-codes/meetings/sogl-article-118119-consultation-request-amendment

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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[6] and our statutory duties and obligations. In making our decision we have considered the justification, provided simultaneously with the submission of the proposals, for the inclusion or exclusion of views resulting from the consultation undertaken by the ESO. We furthermore engaged with the ESO to clarify our understanding of the proposed methodology.

One consultation respondent raised concerns that the intermediate methodology does not contain sufficient details on the ESO's method to determine the limits of the exchange of RR and FRR between synchronous areas. They also had concerns that the ramping restrictions for active power output would be applied to cross-border activation of RR. We have reviewed those concerns, along with the proposal, and explanation from the ESO. On balance, we have concluded that the level of detail in the intermediate methodology is sufficient at this stage as it describes the method the ESO will use to determine limits for the exchange of RR with other synchronous areas as required by Article 178(1). Furthermore, we understand that the method as it is described in the intermediate methodology is consistent with the ESO's current internal business practices. We have also concluded that the intermediate methodology clarifies that the restrictions proposed under Article 137(3) for the active power output of HVDC interconnectors would not apply to cross-border activation of RR. In addition, the intermediate methodology is designed so that obligations detailed within its articles will be incorporated within the Grid Code or the NETS SQSS. Our expectation is that the ESO will promptly incorporate these provisions within the Grid Code or NETS SQSS, thus providing an opportunity, if necessary, to add further details.

We have therefore concluded that the intermediate methodology meets the requirements of Articles 118(1)(b), (y), (z), (aa), and 119(1)(c). We believe that this solution aligns with our previous request for amendments where we asked the ESO to avoid placing obligations in multiple locations so as to ease market participants' understanding of their obligations. We have also concluded that the obligations from the Grid Code and NETS SQSS that have been referred to in the mapping document contain the provisions of the proposals that are required by Article 118(1) (a), (c), (m), (t), (y), (z) and Article 119(1) (c), (h), and (r) of the SOGL Regulation.

We hereby:

- Acknowledge that the sections of the Grid Code and NETS SQSS referred to in the mapping document constitute the provisions of the proposals required by Article 118(1) (a), (c), (m), (t), (y), (z) and Article 119(1) (c), (h), (r) of the SOGL Regulation; and
- Approve the intermediate methodology submitted by the ESO in accordance with Articles 118(1)(b), (y), (z), (aa), and 119(1)(c) of the SOGL Regulation.

Decision not to undertake an Impact Assessment

We have not undertaken an Impact Assessment for this proposal. This is because we consider that the current provisions contained into the Grid Code or in the proposed intermediate methodology cannot be deemed to constitute a change to existing GB requirements and arrangements. Whilst the obligations in the proposed intermediate methodology are not currently part of the Grid Code and NETS SQSS, they are consistent with the ESO's internal business practices and do not therefore lead to any significant change. Accordingly, we consider that an impact assessment is unnecessary in this situation.

Next Steps

In accordance with Article 8(1) of the SOGL Regulation, the ESO shall publish the intermediate methodology on the internet. The provisions of the Grid Code and NETS SQSS that constitute the proposals required Article 118 and 119 of the SOGL Regulation are already published on the internet and therefore meet the requirement of Article 8(1) of the SOGL Regulation. We also expect the ESO to make public the mapping document alongside the intermediate methodology in order to provide stakeholders with clarity over where their obligations reside.

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

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The provisions of the intermediate methodology will enter into force immediately following our decision. In the months following this decision, we expect the ESO to make every effort to expedite the implementation of its obligation to incorporate the relevant provisions into the appropriate sections of the Grid Code and NETS SQSS. We will monitor the incorporation of the intermediate methodology and work to ensure that it is incorporated quickly into the Grid Code and NETS SQSS and in a way that provides stakeholders with clarity over their obligations.

Given that the existing provisions of the Grid Code and NETS SQSS are the provisions that form the proposals required by Articles 118 and 119 of the SOGL Regulation it must be ensured that any future amendment to the relevant sections of the Grid Code and NETS SQSS are compliant with the change processes outlined in the SOGL Regulation. We ask the ESO to evaluate and implement the necessary changes in order to ensure compliance.

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

Yours faithfully

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