

Code Administrator Consultation Response Proforma**GC0109: Publication of the various GB electricity Warnings or Notices or Alerts or Declarations or Instructions or Directions etc. ("System Warning Alerts") issued by or to the Network Operator(s)**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to grid.code@nationalgrideso.com by **5pm on 12 April 2021**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation, please contact paul.j.mullen@nationalgrideso.com or grid.code@nationalgrideso.com

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For reference the Applicable Grid Code Objectives are:

- To permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity*
- Facilitating effective 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);*
- 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;*
- 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; and*
- To promote efficiency in the implementation and administration of the Grid Code arrangements*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions		
1	Do you believe that the GC0109 Original proposal or WAGCM1 better facilitates the Applicable Objectives?	[See below]
2	Do you support the proposed implementation approach?	[See below]
3	Do you have any further comments?	[See below]

Q1 Do you believe that the GC0109 Original proposal or WAGCM1 better facilitates the Applicable Objectives?

Original

In respect of better facilitating **Applicable Objectives (b)** the Original proposal will better facilitate competition in the generation and supply of electricity by ensuring that all market participants (which includes the ESO¹ and DNOs) have timely access to information that is relevant to the operation of the GB electricity market.

That this is the case can be demonstrated by reference to the ESO's own Forward Plan published in March 2020 which, as we detail in our answer to Q3 below, highlights, in multiple places, the benefits to competition of greater operational transparency for market participants and end consumers.

In respect of better facilitating **Applicable Objectives (d)** the Original proposal will better facilitate compliance with the Electricity Regulation as it ensures enhanced transparency around the System Warnings, Alerts etc., for market participants.

Without full (and timely) visibility of this information some market participants will be placed at a disadvantageous position compared to others (an example of which we detail out in our answer to Q3 below).

Furthermore, the Original proposal ensures GB compliance with EU legislation (including with respect to the treatment of *inside information*²) in a timely manner.

Finally, we note that the EU Third Energy Package legislation supports equal access to information as this benefits the market in electricity and increases competition,

¹ The Article (2) (7) of Regulation 1227/20113 definition is that "*market participant means any person, including transmission system operators, who enters into transactions, including the placing of orders to trade, in one or more wholesale energy markets*" [emphasis added]

² Which we examine in more detail under 'Evidence of the disadvantageous position with the Baseline' within our answer to Q3 below.

which results in lower end consumer costs and thus maximising social welfare (which is in conformance with the Electricity Regulation).

It is of particular relevance to note Recital (19) of Regulation 714/2009 (which forms part of the EU Third Package) which set out that:

“Equal access to information on the physical status and efficiency of the system is necessary to enable all market participants to assess the overall demand and supply situation and identify the reasons for movements in the wholesale price. This includes more precise information on electricity generation, supply and demand including forecasts, network and interconnection capacity, flows and maintenance, balancing and reserve capacity.” [emphasis added]

For the avoidance of doubt, the Original provides equal access to information and the Baseline does not do this (as very few market participants – basically only the ESO and, in many cases, the DNOs – have access to the System Warning Alert information under the Baseline).

In respect of better facilitating **Applicable Objectives (a), (c) and (e)** the Original proposal is neutral.

WAGCM1

In terms of the alternative (WAGCM1) suggested by the ESO we find, when compared with the Original, it is wholly without merit.

This is because the ESO has erroneously based the alternative on a definition ('Balancing Mechanism Reporting System') which does not exist in the Grid Code (or BSC).

As stated on page 2 of the WAGCM1 proposal form, the alternative is based around the ESO's notion of 'BMRS' being a 'system':

“The ESO does not feel that it adds value to specify the system. The Grid Code has always been written to be non-system specific which makes it more resilient against future changes. For example, the outage planning and data exchange system required by section OC2 of the Grid Code describes the process but not the system. The system has changed at least 4 times in recent years (from TOPAM to TOGA to Ellipse/TOGA to TOGA replacement) but this has, because the Grid Code is not specific, not required further Grid Code changes.” [emphasis added]

However, the Original proposal is very clear, the reference is to 'BMRS' which, as defined in the Grid Code (Glossary and Definitions), is:

“Balancing Mechanism Reporting Service” [emphasis added]

Thus there are no effects whatsoever of any changes to a system used to provide the Balancing Mechanism Reporting Service.

The system can be changed multiple times; such as occurred with the system changes (from TOPAM to TOGA to Ellipse/TOGA to TOGA replacement) noted above by the ESO; without the need to change any Grid Code reference(s) to BMRS.

Furthermore, as mentioned by some Workgroup members, the continuation with WAGCM1 by the ESO could itself give cause for some concern (on the part of stakeholders) as to whether the ESO is fully embracing of the need for greater transparency as it implies that a diminution in the current level of transparency provided by Balancing Mechanism Reporting Service (let alone the enhancements to the level of transparency envisaged by GC0109 Original) is anticipated by the ESO.

In light of the above, as an erroneous proposal we do not believe that the WAGCM1 is better against any of the Applicable Objectives.

Q2 Do you support the proposed implementation approach?

We support the proposed implementation approach of 30 working days after an Authority decision.

Q3 Do you have any further comments?

We have two further comments regarding (1) the value of transparency and (2) evidence of the disadvantageous position with the current Baseline.

Appreciation of the value of transparency

We note the lack of appreciation, on the part of the ESO³, as to the value⁴ of enhanced transparency that market participants and end consumers will obtain; from GC0109 Original; by having access to the additional information listed in Categories 2 and 3⁵.

This is to some extent understandable – the ESO itself has full access itself to all this information: therefore it is not in a strong position to judge what value market participants and end consumers will obtain from greater transparency of this information in a timely manner.

Therefore, it falls to us and other market participants (as we and they have done already during the course of the Workgroup deliberations) to point out the beneficial value that access to this information will have for market participants.

In simple terms, as we summarised in our Workgroup Consultation response, the value of the GC0109 Original solution; with the enhanced transparency of information on the operation of the transmission system including, in this case, the System Warning Alerts etc.; is that this:

³ As, for example, expressed in the Workgroup Report as well as in the ESO's response to the Workgroup consultation.

⁴ Based on the primary definition "*The regard that something is held to deserve; the importance, worth, or usefulness of something.*" <https://www.lexico.com/definition/value>

⁵ Pages 8-9 of the Consultation document.

- (i) leads to deeper understanding and greater clarity of the operation of the transmission system;
- (ii) leading to better decision making;
- (iii) leading to a more efficient electricity market
- (iv) leading to enhanced competition within the electricity market; and
- (v) leading to lower costs to consumers.

That these five effects occur, with GC0109 Original, can be demonstrated by reference to what the ESO itself and, wider afield, European system operators have extolled as the beneficial value of enhanced transparency around electricity system operations.

This, for example, has been recognised in the ESO own Forward Plan (published in March 2020⁶) at:

Page 9:

“As we progress towards our longer term ambitions, we will also work to improve the transparency of our real-time actions and decision making. We believe that this level of information availability to market participants can help their real time decision making and lead to overall benefits for consumers”
[emphasis added]

For the avoidance of doubt, the System Warning Alerts etc., related to GC0109 Original are examples of real time actions and decision making by the ESO and as such this enhanced transparency can help market participants with their real time decision making, leading to overall benefits to end consumers.

Page 23:

“In 2020-21 we [ESO] are going to deliver...”

“Transparency of data used by our ENCC in our close-to-real-time decision making”

For the avoidance of doubt, the System Warning Alerts etc., related to GC0109 Original are examples of data used by the ESO in close to real time decision making.

“Benefitting energy consumers this year...”

“Stakeholders have specifically requested more transparency of ENCC actions. In publishing operational planning data, we are allowing stakeholders to make better informed decisions, leading to a better functioning market which will eventually lead to lower bills than otherwise would be the case.” [emphasis added]

“...and in the future”

⁶ <https://www.nationalgrideso.com/document/166441/download>

“Transparency of ESO decision making, and a clear direction of travel for the future of the ENCC as part of the operability strategy report, will give stakeholders confidence that the market is functioning correctly, encouraging more new entrants and driving increased competition” [emphasis added]

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“This will increase transparency of the operational issues experienced in operating the system. This is linked to the following consumer benefit outcomes: • Improved safety and reliability • Benefits for society as a whole” [emphasis added]

For the avoidance of doubt, the System Warning Alerts etc.; related to GC0109 Original; are examples of operational issues, experienced by the ESO, in operating the GB transmission system and as such this enhanced transparency can help market participants to make better informed decisions, leading to a better functioning market which will eventually lead to lower bills than otherwise would be the case; as well as providing market participants with confidence that the market is functioning correctly, encouraging more new entrants and driving increased competition whilst also improving safety and reliability.

Going further back than March 2020, ENTSOE, when developing the Network Codes identified, in respect of the explicit benefits of transparency the following:

“Transparency is essential to achieve well-functioning, efficient, liquid and competitive wholesale markets.”

and

“...transparency is the foundation for creating a level playing field thus increasing competition between different market players”.

It was for these reasons (and others) that the Commission, guided by the National Regulatory Authorities (including GEMA) and the Members States (including BEIS) introduced within the transmission System Operation Guideline (SOGL⁷) explicit requirements on the TSOs (NGESO in this case) as well as the NRAs (GEMA in this case) in respect of both “ensuring and enhancing the transparency and reliability of information on transmission system operation” (as set out in Article 4(1)(g) of SOGL).

For the avoidance of doubt, the publication of those System Warning Alerts etc., identified in Categories 2 and 3⁸ within GC0109 Original is a clear and visible demonstration of the ESO (and GEMA, as NRA) ensuring and enhancing the transparency (and reliability) of information on transmission system operation in GB.

Furthermore, the desire for enhanced transparency on the part of market participants is constantly being expressed to the ESO as, for example, was noted by the ESO in 16th December 2020 Operational Transparency Forum webinar (at slide 19) that:

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1485&from=EN>

⁸ Pages 8-9 of the Consultation document.

“Industry feedback suggests that many would like to have a deeper understanding and hence greater clarity about the drivers of our operational decision making.”

For the avoidance of doubt, the enhanced transparency of the System Warning Alerts etc., associated with GC0109 Original are examples of providing deeper understanding and hence greater clarity about the drivers of the ESO’s operational decision making.

In passing we would also note that the ESO has itself identified a minimal cost⁹ of implementing this GC0109 Original change. We fully concur with the ESO’s assessment – the cost of implementing this change is minimal.

Therefore, on a simple ‘cost benefit analysis’ basis, GC0109 Original is positive as the beneficial value (to market participants, competition and end consumers) of the greater transparency it provides is substantially larger; for the reasons stated, by the ESO itself (as well as by ENTSOE) - as we have just noted here; than this minimal cost.

Evidence of the disadvantageous position with the Baseline

In their Workgroup Consultation response the ESO stated, in respect of better facilitating Applicable Objectives (d) and (b), that their answer was ‘No’.

The reasoning proffered by the ESO was as follows:

“Without full visibility of this information some market participants will be placed at a disadvantageous position compared to others” but no evidentiary examples are given. We would suggest use of the word “will” would more appropriately replaced by “may”. The same logic applies in response to Objective B.” [emphasis added]

We are disappointed at the lack of appreciation, on the part of the ESO, of the evidence provided during the Workgroup deliberations on this matter.

For the avoidance of doubt, we simply give an example (one of many) namely the provision by DNOs of paid services for STOR to the ESO which given the DNOs access to *inside information*; in respect of some of the items of information listed in Categories 2 and 3¹⁰; would clearly place other (non DNO) market participants, who also offer STOR services, at a disadvantageous position, compared to the DNO(s).

One of the STOR products currently being offered by DNOs to the ESO concerns reduced levels of demand provided by the activation (by the DNO) of voltage control.

As the ENW final report¹¹, on its Project CLASS, for Ofgem identified:

⁹ “ESO’s ENCC expect that their costs of implementation will be minimal (~ £10K) as the proposed solution utilises existing tools and procedures that the ESO control room, as well as market participants, use today” [emphasis added] from page 20 of the Consultation document.

¹⁰ As listed on pages 8-9 of the consultation document.

¹¹ <https://www.enw.co.uk/globalassets/innovation/class/class-documents/class-closedown-report-master.pdf>

“The quantification of the overall peak demand reduction for the whole Electricity North West network applying the lowest seasonal average real power demand response of 1.3% for a 1% change in voltage is estimated to be:

- 57MW (summer minimum) to 163MW (winter maximum) for a 3% voltage reduction*
- 94MW (summer minimum) to 271MW (winter maximum) for a 5% voltage reduction.*

On the same basis, if the CLASS approach is adopted across the whole of GB there is potential to unlock a demand response of:

- 700MW (summer minimum) to 2GW (winter maximum) for a 3% voltage reduction*
- 1.2GW (summer minimum) to 3.3GW (winter maximum) for a 5% voltage reduction.”*

It is relevant to note that the first item listed under Category 2¹² as being part of the GC0109 Original solution is:

“Demand Control (including voltage reduction and demand disconnection) - DNO activated – definition in Grid Code OC6.4 and DOC6.6”

Therefore, just in respect of the STOR market product alone (as well as the wholesale market, and associated products, more generally) the activation (by the ESO) of voltage reduction measures to be taken by one or more DNOs; with its direct impact on hundreds if not thousands of MWs of demand; could, in our view, amount to *inside information* (if it is not published in accordance with the GC0109 Original solution).

Article (2) (1) of Regulation 1227/2011 defines *inside information* as:

“(1) ...means information of a precise nature which has not been made public, which relates, directly or indirectly, to one or more wholesale energy products and which, if it were made public, would be likely to significantly affect the prices of those wholesale energy products”.

“For the purposes of this definition, ‘information’ means:.... (d) other information that a reasonable market participant would be likely to use as part of the basis of its decision to enter into a transaction relating to, or to issue an order to trade in, a wholesale energy product. Information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or may reasonably be expected to come into existence, or an event which has occurred or may reasonably be expected to do so, and if it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of wholesale energy products;”

Finally, noting the dramatic effect that the activation (by the ESO) of *“Demand Control (including voltage reduction and demand disconnection) - DNO activated – definition in Grid Code OC6.4 and DOC6.6”* would have on the level of electricity demand; in

¹² See page 8 of the Consultation document.

one or more DNO areas; it is of particular relevance to note Recital (19) of Regulation 714/2009 (which is part of the EU Third Package) which set out that:

“Equal access to information on the physical status and efficiency of the system is necessary to enable all market participants to assess the overall demand and supply situation and identify the reasons for movements in the wholesale price. This includes more precise information on electricity generation, supply and demand including forecasts, network and interconnection capacity, flows and maintenance, balancing and reserve capacity.” [emphasis added]

GC0109 Original by providing timely access to information on this activation; of Demand Control by way of voltage reduction; by the ESO will ensure equal access to this important information on demand for all market participants (and not just be limited to the ESO and the DNO(s) activated).