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Code Administrator Consultation Response Proforma

GC0166: Introducing new Balancing Mechanism Parameters for Limited Duration Assets

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@nationalenergyso.com by **5pm** on **06 June 2025**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact claire.goult@nationalenergyso.com or grid.code@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Sandeep Ghuman	
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Phone number:	02476 182905	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input checked="" type="checkbox"/> Storage <input checked="" type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (*this will be shared with industry and the Panel for further consideration*)

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☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

For reference the Applicable Grid Code Objectives are:

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

* See Electricity System Operator Licence

For reference, (for consultation questions 5 & 6) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*

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- b) enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European

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Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

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

Standard Code Administrator Consultation questions						
1	Please provide your assessment for the proposed solution against the Applicable Objectives against the current baseline?	Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:				
		<table><tr><td>Original</td><td><input type="checkbox"/>i <input type="checkbox"/>ii <input checked="" type="checkbox"/>iii <input checked="" type="checkbox"/>iv <input type="checkbox"/>v</td></tr><tr><td></td><td><input type="checkbox"/>None</td></tr></table>	Original	<input type="checkbox"/> i <input type="checkbox"/> ii <input checked="" type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> v		<input type="checkbox"/> None
		Original	<input type="checkbox"/> i <input type="checkbox"/> ii <input checked="" type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> v			
	<input type="checkbox"/> None					
<p>E.ON are highly supportive of the principle objective of GC0166 – i.e. to deliver “increased economic dispatch of Electricity Storage Modules” and “improved operational planning allowing the ESO to factor in these units [storage modules] for longer term planning”</p> <p>Whilst we therefore understand the rationale and intention of the proposed amendments within GC0166, there are some elements which we believe may result in unintended consequences as follows:</p> <p>The introduction of the MDO and MDB parameters allows asset operators to better provide detail to NESO on the availability of volume for activations beyond the current 30 minutes indicated in MEL/MIL.</p>						

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		<p>Unfortunately, the proposed implementation creates conditions which contradict efficiency and may restrict competition.</p> <p>In particular the inability of providers to redeclare MDO/MDB inside the BM Window can lead to considerable limitations on how providers can trade the wholesale market outside of the BM window, as acknowledged by NESO in the section “Pros and Cons of Certainty versus Flexibility”. This impact is compounded when operating in frequency and reserve services with complex and rigorous energy management requirements. The proposed implementation risks restricting how well the system makes use of flexible assets when their use is more vital than ever.</p> <p>The case for the planning model data for NESO to assess outside of the BM window doesn’t make clear how specifically this extra information, of limited accuracy, helps NESO manage the system. The cost to NESO and all Energy Storage Modules to put this in place feels excessive for the purported benefit to system efficiency.</p>
2	Do you have a preferred proposed solution?	<p><input type="checkbox"/>Original</p> <p><input type="checkbox"/>Baseline</p> <p><input checked="" type="checkbox"/>No preference</p>
		As outlined in the previous question, we support the introduction of the MDO and MDB

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		<p>parameters as this enables better information for dispatch decisions for NESO.</p> <p>We have concerns about how this is proposed to be implemented, with redeclaration in the BM Window only permitted in certain circumstances. This creates unnecessary complexity – if a solution needs this many exceptions, it probably needs revising. In its current state, the proposed solution is not taking account of the market realities faced by asset operators.</p> <p>We would advocate allowing redeclaration of MDO/MDB in the BM Window, with NESO monitoring how this is used by participants. This would allow participants sufficient capability to manage the complexities of optimising across multiple services such as Dynamic Services and BM, and manage SoE appropriately.</p> <p>NESO need to take into consideration the resource and IT impact of implementing any new solution. Given the complexity of what is being proposed, industry participants will need timely and clear guidance in order to implement changes. We request that sufficient notice is given for industry to make the changes, as the amendments are not immaterial.</p> <p>We feel that the requirements for Energy Storage Modules to provide additional information for the FSoE modelling are onerous and neglect the</p>
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		<p>very nature of these flexible assts. Battery optimisation is focused on responding to short term market conditions. Attempting to forecast this response is somewhat circular in approach and we are not convinced of the need for NESO to run parallel optimisations in their systems, and whether this is the best use of industry resources.</p> <p>We would also like to reflect on the market climate for BESS in particular, and how the layering of complexity beyond what is proportional could undermine investment cases as providers consider the cost/benefit of investing.</p>
3	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Further details on the specific issues we have with the implementation approach are as follows:</p> <ul style="list-style-type: none"> - The FSoE forecast for 4-33h ahead is not meaningful. We disagree that NESO will be able to derive a forecast for individual assets which is either accurate or meaningful. This is because, by their very nature, these assets are changing and optimising their market position constantly

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		<p>in response to market dynamics. It could be more cost effective to utilise Machine Learning models to forecast available energy in the system/in certain grid areas instead of focusing on individual assets.</p> <ul style="list-style-type: none"> - The arguments against a redeclaration of MDO/MDB within the BM Window are not convincing. As outlined by multiple participants, this will interfere with asset optimisation not only for the BM window but for beyond, basically extending the BM window further and reducing market liquidity in wholesale markets before gate closure. Having several exceptions to the redeclaration in the BM Window would increase the complexity for both NESO and market participants and create a lot of individual cases that need plenty of resources to verify. Overall, if the solution requires this many workarounds to operate, we suggest revisiting the planned solution. - NESO should engage with EDL/EDT software service providers regarding implementation and ensure that a potential timeline is feasible, as these services are prerequisite for market participants.
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		<ul style="list-style-type: none"> - Little information is given on the planned timeline for implementation. We would urge NESO to also give consideration to the potential bottlenecks created by multiple providers needing to interact with NESO IT in a short time.
4	Do you have any other comments?	<p>The proposals give little information on how the changes would affect barriers to entry for smaller and aggregated assets and the ambitions to improve wider access to these.</p> <p>The increased obligations could have the impact of limiting participation from this side of the market, just as growth and innovation is picking up pace. This would be in direct contradiction to the Electricity Balancing Regulation (EBR) Article 3 Objectives GC0166 is looking to support. We would therefore appreciate further detail on how NESO and the Workgroup have given consideration to this.</p>
5	Do you agree with the Workgroup's assessment that the modification does impact the Electricity Balancing Regulation (EBR)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	Article 18 terms and conditions held within the Code?	
6	Do you have any comments on the impact of the modification on the EBR Objectives?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>It could be argued that some objectives are not fully met. In particular those sections in bold below:</p> <p><i>d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;</i></p> <p>[Reason: Inability to redeclare MDO/MDB in BM Window could impact liquidity in intraday market and create distortions]</p> <p><i>e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets</i></p>

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		<p>while preventing undue market distortions;</p> <p>[Reason: Increased obligations on Electricity Storage Modules, and potential new barriers to entry for smaller, and aggregated assets]</p> <p>f) <i>facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;</i></p> <p>[Reason: Increased obligations on Electricity Storage Modules, and potential new barriers to entry for smaller, and aggregated assets]</p> <p>g) <i>facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.</i></p> <p>[Reason: Energy Storage Modules are key to helping the markets respond to</p>
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		increased renewable energy and the challenges this creates. Implementing changes which make it more difficult for such assets to respond to market signals could have an adverse effect]
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