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Dear Grid Code Review Panel Chair,

Ofgem decision to Send Back GC0117: Improving transparency and consistency of access arrangements across GB by the creation of a pan-GB commonality of Power Station requirements

The purpose of this document is to outline the reasons for sending back GC0117 and to direct the Grid Code Review Panel (GCRP) to revise and resubmit the Final Modification Report (FMR) and associated Cost Benefit Analysis (CBA).

On 14 May 2024, the FMR for GC0117 was submitted to the Authority[1] for decision. Given the potential impacts on industry stakeholders, we decided to conduct an industry consultation to help inform our understanding of the impacts of the change. The consultation ran for six weeks in which time we received 47 responses. Based on our review of the FMR, internal engagement, consultation responses and post consultation discussions with industry stakeholders, we have decided we are unable to properly form a view on the proposal and we are sending back the FMR to the GCRP for further work.

Background

The modification seeks to address inconsistencies in access arrangements for Power Stations across different regions in Great Britain (GB). The modification aims to improve transparency and consistency of access arrangements for Power Station connections across GB by creating a common set of requirements.

Currently, three Power Station thresholds Small, Medium, and Large, apply to Generator connections in GB, with varying contractual obligations and technical requirements based on size and location.

[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.

Given the materiality, complexity and wide-ranging impact of the changes set out in the FMR, we consulted industry on our initial minded to position to approve the Original Proposal (OP), which would set a GB-wide threshold requiring Power Stations 10MW and greater to be designated as 'Large' and therefore subject to full Grid Code (GC) compliance and participation in the Balancing Mechanism (BM). The consultation ran from 28 February 2025 to 11 April 2025.

Most responses to the industry consultation disagreed with the OP, predominately driven by Generator and Distribution Network Operator (DNO) engagement, citing concerns that the Cost Benefit Analysis (CBA) did not account for initiatives such as Active Network Management (ANM) schemes and Technical Limits. Industry also highlighted concerns with the interactivity of the modification with other industry developments and the timing for implementation.

Reasons for our decision

Following our analysis of the FMR, evidence gathered by the workgroup, and our consideration of the industry consultation responses, we have not been able to form an opinion on the modification and have taken the decision to "send back" the FMR. The reason for our decision is primarily due to concerns with the outdated CBA and interactivity between other industry developments and this modification.

Firstly, the CBA was conducted using information from 2022 and is outdated due to the pace of industry and policy developments. By including exempt BM participants such as those behind ANM schemes or subject to Technical Limits, the CBA has potentially overestimated annual cost savings of balancing the system. Both ANM schemes and Technical Limits are initiatives being rolled out by network companies to allow Embedded Power Stations to connect faster under restricted access conditions although at present they cannot be instructed through the BM.

Secondly, the timing of implementation and interaction with other industry developments requires further consideration. We have concerns with the modification's impact and possible duplication of other industry developments including:

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- The introduction of Connections Reform, through various code modifications, aims to streamline and accelerate the connection process for low-carbon and renewable projects, standardising access to the network. If the OP is approved, it could complement and reinforce the goals of Connections Reform. However, the OP may have interactions with the already evolving connections process. Both initiatives require significant input from Transmission Owners and DNOs.

- Clean Power 2030 (CP2030) which focuses on decarbonisation and accelerating low-carbon generation, detailing GB's strategy to achieve clean power objectives by 2030. CP2030 emphasises strategic prioritisation of projects that contribute most to decarbonisation and energy security. The OP, being a technical harmonisation measure, may interact with the connection of low-carbon energy projects, potentially leading to misalignment of priorities if not coherent with broader policy goals.

- The Review of Electricity Market Arrangements (REMA) is the government's initiative to reform the electricity market, supporting the transition and development of a net zero power system by 2035, ensuring affordability and security of supply. The REMA proposes the introduction of a lower mandatory BM participation threshold growing the share of smaller embedded generation flexible assets on the electricity system which NESO can instruct. The OP and REMA both seek to promote efficient market entry for Generators. However, the OP is a technical code reform, whilst REMA is a market structure reform. Coordination will be required to ensure coherent technical and market arrangements.

- The Distribution System Operator (DSO) functions which aim to develop operational visibility and control by improving real-time data of DERs and local demand to support system balancing and planning. The OP focuses on standardising technical requirements, mandating BM participation and providing NESO improved visibility and control within the DNO networks. The DSO initiative has direct interactivity with the aims of the OP and could duplicate the visibility and control aspirations of NESO.

If the OP is to be implemented alongside other reforms, as above, a clear understanding of the interactivity of these programmes is required. Our analysis of the consultation

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responses highlighted a desire for better alignment with these reforms and clarity on achievable timelines for implementation.

Direction

1. We require the GCRP to facilitate further engagement with relevant stakeholders to undertake an updated and comprehensive reassessment of the CBA. A more detailed cost and sensitivity analysis within the CBA should be included, reconsidering current or future BM exemptions including ANM schemes and Technical Limits, across the previously agreed work packages:
    - An updated and forecast BM price stack
    - An updated and forward-looking constraint analysis
    - A re-analysis of demand forecasting

2. The timing of implementation and interaction with other industry developments requires further consideration as we have concerns with the OP's impact and possible duplication. With respect to the interactivity with recent industry developments, we require the GCRP to assess the OP's interactivity and revise the implementation date to be included in the revised FMR:
    - Connection Reform considerations for the connections process
    - Delivery of CP2030 key objectives
    - Potential interactivity with REMA proposals
    - DSO functions focusing on primacy and potential duplication between DSO and NESO operations

After addressing the issues discussed above and revising the FMR and CBA accordingly, the GCRP should re-submit it to us for decision as soon as reasonably practicable.

Gurpal Singh,
Head of Engineering and Profession Lead
Signed on behalf of the Authority and authorised for that purpose

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