

ELEEXON

**P448 'Protecting Generators subject to Firm
Load Shedding during a Gas Supply
Emergency from excessive Imbalance Charges'**

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Summary

- This Modification proposes to address the risk of Generators in Great Britain(GB) being prevented from generating this winter (due to Firm Load Shedding during a Gas Supply Emergency) by allowing such Firm Load Shedding instructions to be settled as Bids and addressing credit situation.
- A new Panel Committee will validate the Bid Payments and Imbalance Charges after the event, to verify that Generators have been protected from Imbalance Charges caused by events outside their control, but have not profited from the arrangements.

Why change (i)

- Concern about the deteriorating situation in the gas market
- Heightened risk of a Gas Deficit Emergency (GDE) this winter
- If a GDE arises, then largest gas consumer sites off first for gas safety reasons
- Impacts on imbalance and credit position for gas generator Balancing Mechanism (BM) Units

Why change (ii)

- Quantum of the issue

		Imbalance Price		
	MW	£3,000/MWh	£6,000/MWh	£9,000/MWh
Max	2200	£158.40m	£316.80m	£475.20m
Average	1280	£92.16m	£184.32m	£276.48m
Min	900	£64.80m	£129.60m	£194.40m

Why change (iii)

- If affected gas fired generators are impacted, then they will rapidly leave the market, impacting security of supply and market liquidity
- If action is not taken, then possible steps to seek to mitigate risk would see reduction in market liquidity and lots of additional near real time actions needed to be taken by ENCC

Proposed Solution

- Create new form of emergency acceptance (“Gas Deficit Emergency Acceptance”), which would be settled as a Bid for the affected units in a similar manner to those created in respect of Emergency Instructions from the NETSO, but done via Gas System Operator (GSO)/ Network Emergency Coordinator (NEC) action.
- Bids may need to be constructed for longer period than just the settlement periods for which gate closure had already occurred when the interruption of the power station was instructed (by GSO).
- Affected units will need to change the way in which they submit Physical Notifications for the affected period to reflect how they would have operated the relevant units to meet their contractual position in the absence of the gas emergency.
- Necessary to validate what has happened ex-post. Affected party to preserve all relevant records associated with the site(s) in question, and furnish those records to a committee established (by the Panel) along the lines of, but separate to, the current Section G Claims Committee. That is the site in question is subject to a (gas) load shedding by the GSO/NEC.

Applicable Objectives

- This Modification will better facilitate **Applicable BSC Objective (a)** in respect of the NETSO's obligations relating to system balancing, with the associated benefits around security of supply, this change will facilitate the affected generators continuing to participate in the market and operate for system stability purposes in light of a GDE.
- This Modification will better facilitate **Applicable BSC Objective (b)**, as it will allow the NETSO to operate the NETS more efficiently, economically and in a more coordinated manner by continuing to have the affected plant available after a GDE situation.
- This Modification will better facilitate **Applicable BSC Objective (c)**, by promoting liquidity in traded markets in timescales running up to real time.

P448: Summary

- P448 seeks to mitigate the risk of gas shortage in the system, by ensuring that Generators are not exposed to excessive Imbalance Charges and/or Credit Cover charges
- The Proposer believes that P448 should be treated as urgent, as there is a significant risk of a gas emergency this winter, which could occur before the end of November 2022

P448: Areas to consider

- In addition to the standard Workgroup's Terms of Reference, we aim to verify with the Workgroup:
 - If the **Gas Deficit Validation Committee (GDVC)** is required and what expertise are needed to justify the Committee?
 - Do the proposed legal text changes impact on or extend the Network Code on Electricity Emergency and Restoration (NCER) provisions in the BSC?
- We intend to progress P448 via a joint Workgroup between Grid Code and BSC

P448: Proposed Progression (1 of 2)

- The Proposer has requested that this Modification be treated as Urgent and progresses via the proposed timetable
- The Proposer believes this Modification should be treated as urgent because:
 - the solution needs to be in place at the earliest opportunity before winter 2022-23, i.e. in November 2022, as there is an increasingly high risk of a Gas Deficit Emergency occurring
 - if the solution is not in place when a Gas Deficit Emergency occurs, one or more Generators could face a significant financial impact
- Workgroup membership
 - Generators
 - Suppliers
 - NETSO
 - Gas System Operator

P448: Proposed Progression (2 of 2)

Event	Date
Modification presented to Panel	29 September 2022
Submitted to Authority for decision on urgency	29 September 2022
Joint Workgroup meetings (Grid Code and BSC)	4 October 2022 to 6 October 2022
Urgent Modification Consultation (4WDs)	Issue by 7 October 2022
Workgroup meeting	By 14 October 2022
Urgent Modification & EBGL Consultation (calendar month)	Issue by 14 October 2022 – 14 November 2022
Workgroup meeting	By 16 November 2022
Draft Urgent Modification Report presented to Panel	By 17 November 2022
Final Urgent Modification Report submitted to Authority	By 17 November 2022
Implementation	+1WD after Authority decision

P448: Impacts & Costs

Organisation	Impacts	
Gas-fired Generators	<p>Mitigates risk of insolvency in event of Gas Deficit Emergency</p> <p>Lessens incentive to withdraw from forward and Day Ahead markets</p> <p>New obligations to retain records (in event of Gas Deficit Emergency)</p>	High
Suppliers, Generators, Non Physical Traders with MVRNs	These Parties (who pay BSUoS and RCRC) will face different charges (compared to P448 not being implemented) e.g. payers of RCRC may lose out on potential windfall from distressed generators.	High
Elexon	<p>Impact on Credit Default process (in event of Gas Deficit Emergency)</p> <p>Requirement to establish and support Gas Deficit Validation Committee (in event of Gas Deficit Emergency)</p>	Low
National Grid ESO	Requirement to provide Acceptance Data (for Gas Deficit Emergency Acceptances)	Medium

- Costs will be determined as part of the Workgroup Assessment
- Document impacts only

P448: Recommendations

We invite the Panel to:

- a) **RECOMMEND** to the Authority that this Modification should be treated as an Urgent Modification Proposal;
- b) **AGREE** that P448 **DOES** impact the EBGL Article 18 terms and conditions held within the BSC;
- c) **AGREE** the Urgent progression timetable for recommendation to the Authority;
- d) **AGREE** that P448 progresses to the Assessment Procedure;
- e) **AGREE** the proposed membership for the P448 Workgroup; and
- f) **AGREE** the Workgroup's Terms of Reference.