

Modification proposal:	Balancing and Settlement Code (BSC) P421: Align the BSC with Grid Code modification GC0144 for TERRE Market suspension (P421)		
Decision:	The Authority ¹ directs that this modification be made ²		
Target audience:	National Grid Electricity System Operator (NGESO), parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	11 March 2022	Implementation date:	Five working days following decision date

Background

National Grid Electricity System Operator's (NGESO's) Grid Code Modification GC0144³ added a new section to BC4.10 of the Grid Code, which clarified the three scenarios in which the Trans European Replacement Reserve Exchange (TERRE) market will be suspended in GB. This was done in accordance with the Commission Regulation (EU) 2017/2196⁴, establishing a network code on emergency and restoration (the "NCER Regulation").

The Balancing and Settlement Code (BSC) already provides for TERRE suspension in the scenarios detailed in paragraphs (a) and (b) of BC4.10⁵. However, the BSC does not cover the TERRE suspension scenario detailed in paragraph BC4.10(c) of the Grid Code. This paragraph relates to TERRE market suspension as a result of the operators of the

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.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ [GC0144: Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1\(b\)](#)

⁴ Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration. The NCER Regulation came into force on 18 December 2017.

⁵ Paragraph BC4.10(a) of the Grid Code provides for Terre Market suspension where the Balancing Mechanism is suspended in accordance with paragraph OC9.4.6 of the Grid Code in a Black Start situation; BSC paragraph G3 sets out Black Start provisions including Terre Market suspension. Paragraph BC4.10(b) of the Grid Code provides for Terre Market suspension in the event of outages of computer systems (as provided for in BC4.9 of the Grid Code); BSC paragraph Q5A.1 provides for this. BSC paragraph 5A.2 sets out the activities that will be suspended and actions BSCCo will take if the TERRE Market is suspended in either scenario.

TERRE Central Platform [LIBRA] notifying National Electricity Transmission System Operator (NETSO) that the TERRE market has been or is to be suspended.

The Proposal

P421 seeks to align the BSC with all the provisions introduced into the Grid Code under GC0144. Firstly, the proposal changes the TERRE Market suspension provisions (BSC section Q5A) to expressly provide for the circumstances in Grid Code BC4.10(c). The solution also updates the notification processes and obligations of the NETSO and the Balancing and Settlement Code Company (BSCCo), so they are aligned in the BSC and the Grid Code in respect of the suspension scenarios detailed in Grid Code BC4.10 (b) and (c).

BSC Panel⁶ recommendation

At the BSC Panel meeting held on 14 October 2021, the BSC Panel (the Panel) considered that P421 would better facilitate the BSC objectives (a) and (e) and the majority of the Panel recommended its approval. The Panel considered that the changes specified in P421 are consistent with the Electricity Balancing Guidelines (EBGL) Article 18 Terms and Conditions⁷.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 24 January 2022. We have considered and taken into account the responses to the industry consultation on the modification proposal which are included in the FMR. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC⁸; and
- approving the modification is consistent with our principal objective and statutory duties⁹.

⁶ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and [Standard Special Licence Condition C3 of the Electricity Transmission Licence](#).

⁷ Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, The EBGL Regulation, came into force on 18 December 2017. Accessible at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2195>

⁸ As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

⁹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989

Reasons for our decision

We consider this modification proposal will better facilitate BSC objectives (a) and (e) and has a neutral impact on the other applicable BSC objectives.

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

The majority of the Panel agreed that P421 better facilitates Objective (a). This is because the modification improves clarity and consistency on TERRE market suspension provisions, across all relevant Codes, which will aid the Transmission Company to efficiently discharge its obligations in such an event. However, the minority of the Panel believed that P421 does not better facilitate Objective (a) as it is not clear how the modification promotes efficiency and coordination of NETSO.

We agree that this proposal better facilitates objective (a), as ensuring coordination – through the same requirements in both the Grid Code and the BSC – will enable greater transparency and efficient discharge of obligations by the Transmission Company. We note that there is no explicit obligation within the BSC that requires BSC modifications to align with the Grid Code. However, there are obligations that suggest that if there are conflicts / inconsistencies between the Grid Code and the BSC, these should be resolved as soon as possible.¹⁰ Further, the modification future-proofs efficient discharge of obligations in the event GB participants can use EU balancing platforms in the future.

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

The majority of the Panel agreed that P421 better facilitates applicable objective (e). This is because the modification ensures that the BSC accurately reflects the provisions relating to TERRE market suspension in the NCER. Therefore, this modification would (in the event that the UK could participate in the TERRE market) aid compliance with a legally binding decision of the European Commission. However, a minority of the Panel

¹⁰ Section H1.6.2 of the BSC states that: 'In the event of any conflict between the provisions of the Grid Code and the provisions of the Code, no Party shall be liable hereunder or under the Grid Code as a result of complying with its obligations under the Code or under the Grid Code provided that each Party shall take such steps within its power as may be necessary, subject to and in accordance with the provisions of the Code and the Grid Code relating to modifications, to resolve such conflict as soon as possible'.

did not believe the proposal better facilitates objective (e), as compliance with the Electricity Regulation would not be achieved if TERRE is not currently live.

We note the concern raised by some panel members but consider the main benefit in implementing this modification is to align the Grid Code and the BSC. This would still be required- regardless of the status of TERRE or a GB-only Replacement Reserve (RR) - as there is currently misalignment between the two codes. In addition, we note the definition of 'Electricity Regulation' has been amended in Standard Condition A1 to ensure that references in the licence are to the Electricity Regulation as it forms part of retained UK law. As the NCER Regulation (EU) 2017/2196 was retained as UK law at the end of the Brexit Transition Period on 31 December 2020, and as such is now a UK legislative requirement - the proposal facilitates compliance with this.

Decision notice

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P421: *Align the BSC with Grid Code modification GC0144 for TERRE Market suspension* be made.

Adam Gilham

Senior Manager - ESMS

Signed on behalf of the Authority and authorised for that purpose