From: Graham, Garth
Sent: 20 October 2020 10:20

Rob,

Thank you for your email. I think you and Lisa are right to highlight the DCUSA interactions.

In terms of your two questions:

Mechanism:

Simplicity (even to a complex problem) is preferred.

However, before we go too far down the various options I suspect it might be very helpful to explore with Ofgem as to whether they would prefer a 'pro-active' or 'reactive' approach; on the part of the system operator(s); to the payment of the liabilities given that the claims will be for smaller parties.

I seem to recall in the past that with distribution connected customers that where there have been, for example, guaranteed standard's 'failures' (and to be clear, I'm not saying that this is the case here with the GC0147 scenario) that they expect the DNO to be 'pro-active' and write out / send out the appropriate compensation directly to the customer rather than requiring customer to write in and make a claim (as would be the case with a 'reactive' approach). Depending upon Ofgem's guidance on this then we can develop a solution accordingly.

In terms of the options for the mechanism itself, I suspect that a simple table showing each step (who does what, when) will be best as we can then talk this through (and it can be used as the business rules when developing the associated legal text).

Where are the funds coming from:

it seems to me that this will depend on which of the two system operators (TSO or DSO) it is that is requesting the redispatching in question (presumably it'll not always be the TSO that is making this request?) as, according to Article 13(7), it is they that is liable for the financial compensation: "*subject to financial compensation by the system operator requesting the redispatching*"

In the case of the TSO it would seem, in principle, that there is already a mechanism for funding system related costs incurred by the TSO, namely BSUoS.

However, in the case of the DSO I'm not certain that such a mechanism currently exists although, presumably, with the planned change from the 'DNO' to the 'DSO' model that there are already plans in place for a cost recovery mechanism for 'system operation' costs incurred at distribution and thus it may be possible to use that mechanism for the funding of the Article 13(7) financial compensation incurred by the DSO(s)?

Regards

Garth

From: Graham, Garth
Sent: 19 October 2020 10:13

Subject: RE: EXT || RE: Additional papers - GC0147

Nisar,

Reviewing Ofgem's GC0143 decision letter, of 7th May 2020, I'm reminded of what it said in respect of Article 13(7), namely:

"We also encourage the ESO to consider further how, if at all, implementation of the modification interacts with Article 13 paragraph 7 of the Clean Energy Package. This requires that "where nonmarket based redispatching is used, it shall be subject to financial compensation by the system operator requesting the redispatching to the operator of the redispatched generation, energy storage or demand response facility except in the case of producers that have accepted a connection agreement under which there is no guarantee of firm delivery of energy". We do not consider that this modification [GC0143] allows parties to avoid any liability that may be incurred Article 13 paragraph 7, if it is engaged."

https://www.nationalgrideso.com/document/168851/download

In my view this; when coupled with the reasoning I set out in my email of 17:50 last Thursday (see attached) along with the points I made during Friday's Workgroup meeting; suggests that clarity of whether Article 13(7) is engaged (or not) will be a key part of our work.

This is because **if** it is engaged (and as per the reasoning I've already provided to the Workgroup, I believe this to be the case) then, as Ofgem has noted, we will need to include a solution within GC0147 for the liability associated with the payment of Article 13(7) compensation.

If we don't have a solution that is in compliance with Article 13(7) within GC0147 then we run the risk of a 'send back' (plus we increase the risk that the TSO and / or DSO(s) are exposed to the Article 13(7) compensation liability without, it would seem, a mechanism for addressing this).

I'm mindful that on Friday a number of options were suggested, at a high level, and that of these some were more complex than others.

It may also be helpful to consider whether, in general terms, there is to be a pro-active or reactive approach to the compensation arrangements.

Will, for example, the system operator simply issue out the compensation amount directly to the affected provider(s) who the system operator will know (as the DSO, or as the TSO could be told by the DSO) has been impacted by the measure affecting generation or load pattern (or both): this could be considered to be a proactive approach and some options, such as the 'ODFM proxy' type approach, may make this simpler than others.

In raising the example of an 'ODFM proxy' type approach on Friday I was thinking that the use of a price known to the TSO (and which could be published / shared with the DSOs et al) that is market based whilst being linked to the type of parties; namely distribution connected providers, i.e. generation, storage and demand side response; that would be impacted by non-market based redispatching could be a more practical way to proceed; although this is predicated on a replacement for ODFM coming forward or a similar distribution connected providers based market price being available that we could utilise with the GC0147 solution.

Clearly other options could be developed also; such as simply allowing distribution connected providers impacted by non-market based redispatching to make a claim directly to the TSO and / or DSO based on their (each individual providers) calculation; done according to what is set out in Article 13(7) (a) and (b): this could be considered to be a reactive approach. However, this, it would seem, may involve more work for the affected providers as well as for the TSO and or DSO to verify such calculations / claims.

In light of the above, as well as the discussions on Friday, I think it would be very helpful if at our next meeting (that is before the Workgroup consultation is issued) we could have a representative of both Ofgem and the ESO's legal department along to discuss **whether Article 13(7) is engaged (or not)** so that we can write this up within the consultation and ask a related question along the following lines:

"*In its GC0143 decision letter Ofgem identified that if Article 13(7) is engaged then the system operator may have a liability to pay compensation to affected parties. Do you believe that Article 13(7) is engaged with GC0147? If so please provide your rationale*."

Regards

Garth

From: Graham, Garth
Sent: 16 October 2020 11:17

Subject: RE: Additional papers - GC0147

Rob,

Ahead of the meeting restarting it would be good to understand (when we resume) how the legal text addresses the Article 13(6) situation in terms of which assets are redispatched as well as the cycling / no discrimination issues I mentioned in my comments of the consultation questions.

It would also be helpful if we could please see the latest Article 13(4) annual reports from the system operators (TSO and DSOs) about redispatched in GB in terms of "the reasons, volumes in MWh and type of generation source subject to redispatching"

Regards

Garth

From: Graham, Garth
Sent: 15 October 2020 17:50

Subject: RE: Additional papers - GC0147

Examining the presentation on the legal position aspects of CEP ahead of the Workgroup meeting I notice that the definition of 'self-dispatch' is conspicuously missing whilst that for 'central dispatch', which is not the approach used in GB, is erroneously included on slide 2.

The relevant definition, from Article 2(30) of the CEP, is as follows:

"'*self-dispatch model' means a scheduling and dispatching model where the generation schedules and consumption schedules as well as dispatching of power-generating facilities and demand facilities are determined by the scheduling agents of those facilities*;" [this is the situation in GB].

I note the statement on slide 2:

"*Arguably redispatching means a change in a generator's output and position in the market. It could be argued that redispatching does not cover disconnection as this is not consistent with adjusting a market position; also a unit being redispatched implies that it has also been dispatched*."

However, there is nothing 'arguable' about the definition of 'redispatching' for the purposes of the CEP – it is as set out in Article 2(26) – and it is:

"'*redispatching' means a measure, including curtailment, that is activated by one or more transmission system operators or distribution system operators by altering the generation, load pattern, or both, in order to change physical flows in the electricity system and relieve a physical congestion or otherwise ensure system security*;" [emphasis added]

There is a danger that we inadvertently conflate the use of the words 'dispatch' and 'redispatch' as they are used in the GB context with the explicit use of the word in the CEP.

I have taken the liberty of underlining the relevant aspects of the definition of 'redispatching' to GC0147 in the quote above.

It would be helpful if anyone could please explain how/why a TSO and / or DSO taking the emergency step ('the last resort') of disconnecting a generator ('a measure, including curtailment') that was 'activated by the TSO or DSO in order to ensure system security' was not, for the purposes of CEP, 'redispatching' (according to the CEP Article 2(26) definition of that term).

I note the other statement on slide 2, namely:

"*Dispatching/redispatching are only possible in the case of dispatchable facilities and the definition of 'central dispatching model' is clear that this is where dispatching can be carried out by the transmission system operator. So it would appear that redispatching is not applicable to non-BM embedded generators, although there are some grey areas regarding BEGAs and BELLAs*."

For the reasons noted above, I do not believe this statement is relevant to the GC0147 discussions as it deals with a different scenario (a central dispatch model) to that which we are considering (the self dispatch model).

In terms of slide 4 there are a number of statements that I'd like to highlight.

"*The only exception under Art 13(7) of the CEP to having to provide compensation for non-market based redispatching is <u>where the party being redispatched</u> has "accepted a connection agreement under which there is no guarantee of firm delivery of energy".* [emphasis added]

This appears to be inadvertently erroneous. The actual wording is as follows:

"*Where non-market based redispatching is used, it shall be subject to financial compensation by the system operator requesting the redispatching to the operator of the redispatched generation, energy storage or demand response facility <u>except in the case of producers</u> that have accepted a connection agreement under which there is no guarantee of firm delivery of energy*." [emphasis added]

My reading of this sentence is that the exception (to not paying compensation in the event of redispatching) is therefore limited firstly to generators <u>only</u> and secondly even then <u>only</u> to those generators who "*have accepted a connection agreement under which there is no guarantee of firm delivery of energy*".

For the avoidance of doubt, the exception (to not paying compensation) does not apply to energy storage or demand response, or indeed where a party is 'connected' via a DSO's connection agreement with the TSO (as appears to be suggested elsewhere on slide 4) or where a generator has not accepted such a restriction within their connection agreement (which may be the case with an historical agreement).

In terms of the statement on slide 4 that:

"*It refers to a "connection agreement". In the context of EG this on normal reading would suggest the agreement that the EG has with the DNO (ie the agreement governing its connection to the distribution system).* [I agree, this stems from and is compatible with the RfG obligations on the TSO and DSO.] *Could argue that where the ESO has an agreement (BELLA/BEGA) with EG it is nevertheless a "connection agreement".* [This seems to be incompatible with the RfG, as it implies two 'connection agreements' for one generator with two separate system operators.] *Also that the connection agreements between the ESO and DNOs which often reference the non firmness of any export at GSPs are relevant* [but they are not relevant to Article 13(7) as, in that case, it is <u>not</u> the "producers that have accepted a connection agreement under which there is no guarantee of firm delivery of energy", rather it is the DSO who has. Notwithstanding that, if that TSO/DSO connection agreement was relevant to the D connected generator then according to Article 13(7) compensation would still be payable by the system operator requesting the redispatching of the generator]."

In terms of the statement on slide 4 that:

"*Art 13(7) seems to assume you will have a connection agreement with the operator who is redispatching you* [The CEP definition says something different - it refers to "that is activated by one or more transmission system operators or distribution system operators" which clearly envisages redispatching by a system operator to whom a generator does not have a connection agreement (as well as allowing for it where it does).] *so as above we would want to equate "connection agreement" to the BELLA/BEGA and DNO agreement with the* ESO [as above, I don't see how this is possible in the context of CEP]"

In consideration of the statement on slide 4 that:

"*Firm delivery of energy –where a generator doesn't have TEC there certainly isn't firmness* [this may only be relevant in the context of a generator with a connected agreement to the transmission system] *and in some cases (for example exporting GSPs/charging reforms etc) there is not even assumed access/use of the transmission system.* [but if the generator is connected at distribution then any of those aspects noted here that are to do with transmission do not, for the purposes of Article 13, apply to them.] *Other areas such as ANM schemes, intertripping, caps and restrictions and technical limits all suggest that access is not a guarantee* [but If any of these items are in the connection agreement between the TSO and the DSO and have not, therefore, been accepted by the generator in their, separate, connection agreement with the DSO then, for the purposes of Article 13, they are not relevant] *."*

Finallly, in terms of the statement:

"*The conclusion would be that this is a grey area* [I'm not certain it is as 'grey' as this slide suggests.] *but that it is not clear that non-BM embedded generators have firm access rights unless these were conferred in the connection agreements held between the generator and the DNO and* [I don't see the relevance, in terms of Article 13, of this additional step if the generator is not the party who has accepted the limitation, if that limitation is set out in a separate agreement between the two network companies alone.] *the DNO and ESO*."

In terms of slide 5 it is important to note that the current wording in the Grid Code (introduced by GC0143) involved two (of the three) scenarios where the DSO was left to determine, across its operational area which generation would be disconnected in the event of an Emergency Instruction being issued to them by the TSO. This being the case, I think that Article 13(6) does very much apply as the DSO is duty bound to take this into account, and prepare / plan / operate accordingly.

Happy to discuss this further during tomorrow Workgroup meeting.

Regards

Garth