

Modification proposal:	Connection and Use of System Code (CUSC) CMP221: Interruption compensation in the absence of market suspension during a Partial Shutdown		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission plc (NGET), Parties to the CUSC and other interested parties		
Date of publication:	29 January 2014	Implementation Date:	31 March 2014

Background to the modification proposal

Until the implementation of Balancing and Settlement Code (BSC) Modification P276 on 31 March 2014³, a Partial or Total Shutdown⁴ event on the transmission system will result in the suspension of normal market operation. The Grid Code⁵ defines the circumstances under which a Partial or Total Shutdown can be declared. These are either a partial or total loss of electricity supply which requires National Grid Electricity Transmission plc (NGET), as the System Operator, to use the Black Start recovery procedure.⁶ As such, until the implementation of P276, the use of Black Start will always involve the suspension of the electricity market, irrespective of its scale.

The suspension of the electricity market involves: the suspension of the Balancing Mechanism⁷ and all contractual and credit positions; the application of a Single Imbalance Price⁸; and the central dispatch of all generators by NGET. This represents a significant level of disruption to normal market operation. P276 will introduce an additional materiality threshold to the BSC market rules, so the electricity market will only be suspended if one or more of the following criteria are met:

- The shutdown has caused a drop in demand of more than 5% of the National Demand Forecast; or
- NGET is unable to accurately determine the decline in demand; or
- 72 hours have passed since the start of the Partial Shutdown.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of Gas and Electricity Markets Authority.

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

³ For the decision letter, see <http://www.elexon.co.uk/wp-content/uploads/2012/02/P276D.pdf>

⁴ Partial and Total Shutdown are defined in the Grid Code, see http://www.nationalgrid.com/NR/rdonlyres/5DFDEFEB-DDBC-4381-8DE5-4B2087AC6AC8/63180/04_GLOSSARY_DEFINITIONS_I5R5.pdf

⁵ The Grid Code is the industry code that, amongst other things, describes the technical specifications and operational procedures required to efficiently and economically develop, maintain and run the transmission system.

⁶ This procedure involves NGET issuing Black Start Instructions to one or more power plants that are capable of operating without an external electricity supply, requiring them to reenergize their local network and eventually power up other neighbouring power plants.

⁷ Operated by NGET from Gate Closure until the end of a given Settlement Period to ensure the system is in balance at all times.

⁸ The mean of the System Sell Price and System Buy Price for each set of corresponding Settlement Periods in the 30 whole Settlement Days immediately preceding the Settlement Day on which the Black Start Period commenced.

When this threshold is introduced to the BSC on 31 March 2014, it will allow Black Start to be used where it is the most efficient method of re-starting the system following small scale local shutdowns, whilst avoiding significant disruption to the market. P276 was approved by the Authority on 20 July 2012. A consequential Grid Code Modification (GC0044) was proposed to modify the Grid Code to reflect the changes resulting from P276 and was approved by the Authority on 19 July 2013.⁹

After P276 and GC0044 are implemented, it is possible (consequentially) that a Partial Shutdown will not coincide with a Market Suspension Period, which is a scenario that is not recognised in the CUSC¹⁰ at present. In this scenario, generators and interconnector owners will have imbalance exposure¹¹, without any means of claiming payments, if they lose access to the transmission system. The arrangements that govern whether parties can claim payments for loss of transmission system access (resulting from a system event) are included in the CUSC.

The modification proposal

In light of the approval of both P276 and GC0044, CMP221 was raised by NGET (the Proposer) to accommodate the scenario of a Partial Shutdown that does not coincide with a Market Suspension Period in the CUSC. It seeks to amend the "Allowed Interruption" definition in the CUSC and introduce the definition of "Market Suspension Period" (as defined in the BSC). This will allow generators and interconnector owners who lose access to the transmission system (through no fault of their own) in this scenario to claim payments.

NGET considers that CMP221 will better facilitate applicable CUSC objective (b)¹², as affected parties will be consistently and appropriately treated for costs associated with their imbalance exposure due to loss of transmission access, and therefore effective competition in the generation and supply of electricity will be better facilitated.

There were five responses to the Code Administrator Consultation on this modification, all of which considered that it would better facilitate one or more of the applicable CUSC objectives.

Initially, it was proposed that CMP221 would be implemented 10 business days following an Authority decision to approve. However, responding to suggestions made by respondents to the Code Administrator Consultation, NGET revised its proposed implementation date to 31 March 2014, which is consistent with the implementation date for both P276 and GC0044.

⁹ For the decision letter, see <http://www.nationalgrid.com/NR/rdonlyres/91EEBAB2-D876-4FA3-B842-66FC4B2D33CC/61536/GridCode0044DecisionLetter.pdf>

¹⁰ The CUSC is the contractual framework which governs connection to and use of the transmission system.

¹¹ For the avoidance of doubt, generators will face higher Account Energy Imbalance Cashflow payments (or receive lower payments) and interconnector owners are likely to have to compensate capacity holders (if this capacity was sold implicitly) if they lose access to the transmission system

¹² As set out in Standard Condition C10(1) of NGET's Transmission License see <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

CUSC Panel¹³ recommendation

The CUSC Panel considered the draft Final Modification Report (FMR) for CMP221 at its meeting on 29 November 2013, and voted unanimously that it better facilitates Applicable CUSC Objective (b), and has a neutral impact on objectives (a) and (c).¹⁴

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the FMR dated 12 December 2013. The Authority has considered and taken into account the responses to the Code Administrator consultation on the modification proposal which are attached to the FMR.¹⁵ The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the CUSC; and
2. directing that the modification to be made is consistent with the Authority's principal objective and statutory duties.¹⁶

Reasons for the Authority's decision

We agree with the views of the Panel that CMP221 better facilitates objective (b) for the reasons set out below. The modification is neutral in respect of objectives (a) and (c).

Objective (b) 'Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity'

Four of the five respondents to the Code Administrator Consultation and all members of the CUSC Panel felt that CMP221 would better facilitate this objective. We agree with this view. The proposed change to the "Allowed Interruption" definition in the CUSC will allow generators and interconnector owners who lose access to the transmission system (through no fault of their own) during a Partial Shutdown that does not coincide with a Market Suspension Period to claim payments for their imbalance exposure.

If these parties were not able to claim payments, this may lead to the inconsistent treatment of parties who lose access to the transmission system (because of a system event) for no objective, justifiable rationale. For example, generators and interconnector owners would not be able claim payments if they lose access to the transmission system during a Partial Shutdown that didn't coincide with a Market Suspension Period, but would if they lost access during a relevant interruption. In addition, if these parties did not receive payments, negative cash-flow impacts may disadvantage them unduly and may ultimately impact on their ability to compete in the GB wholesale electricity market.

We understand that suppliers are not currently eligible to receive Interruption Payments and this modification will not introduce suppliers to these arrangements. We feel this is justified given it is not possible to adjust suppliers' imbalance volumes accurately at the

¹³ The CUSC Panel is established and constituted from time to time pursuant to and in accordance with the section 8 of the CUSC.

¹⁴ These are also set out in Standard Condition C10 (1) of NGET's Transmission License.

¹⁵ CUSC modification proposals, modification reports and representations can be viewed on NGET's website at <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/>

¹⁶ 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 as amended.

moment. We also note that suppliers who lose access to the transmission system (through no fault of their own) during a Partial Shutdown that does not coincide with a Market Suspension Period will receive higher Account Energy Imbalance Cashflow payments (or face lower payments).

Decision notice

In accordance with Standard Condition C10(1) of NGET's Transmission Licence, the Authority hereby directs that modification proposal CMP221 '*Interruption compensation in the absence of market suspension during a Partial Shutdown*' be made. The implementation date is 31 March 2014, so that the changes made by CMP221 are aligned with those which will be made to the BSC and Grid Code by modifications P276 and GC0044 respectively.

Rachel Fletcher
Senior Partner, Markets

Signed on behalf of the Authority and authorised for that purpose