Modification	At what stage is this document in the process?
# GC0097: ## GB processes supporting TERRE participation and dispatch	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification: *An early adoption project of the EU Electricity Balancing Framework, TERRE is expected to go-live in Q3 2018. It sets a common platform for Replacement Reserves across EU regions. GC0097 will consider the Grid Code impacts of TERRE and manage any necessary modifications.*

✔	*Please provide an initial view of the preferred governance route/pathway and impacted parties* The Proposer recommends that this modification should be: *(delete as appropriate)* • assessed by a Workgroup This modification will be presented by the Proposer to the Panel on 16 11 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.
!	High Impact: *Existing and new balancing services providers of +/-1MW capacity and above; GB Transmission System Operator;*
!	Medium Impact: *Distribution Network Operators*
!	Low Impact: *None specified*

***Guidance On The Use Of This Template**:*

Please complete all sections unless specifically marked for the Code Administrator.

Green italic text is provided as guidance and should be removed before submission.

The Code Administrator is available to help and support the drafting of any modifications, including guidance on completion of this template and the wider modification process. Contact: [add email address] or [add telephone number].

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Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	January 2017-May 2017
Amended Modification considered by Workgroup	TBC
Workgroup Report presented to Panel	TBC
Draft Modification Report issued for consultation	TBC
Consultation Close-out for representations	TBC
Final Modification Report available for Panel	TBC
Modification Panel decision	TBC

Any questions?

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1 Summary

What

The GB implementation of TERRE is focusing on three aspects

1) The coordination between the GB TSO and the TERRE Central Platform
2) The trading and settlement for participation in TERRE
3) The facilitation of participation of GB parties, including dispatch, by the GB TSO in coordination with the TERRE Central Platform.

This final (3) aspect will be the focus of GC0097, in coordination with BSC workgroup P344 for item 2, and National Grid System Operator in coordination with the TERRE Central project.

Specifically, this workgroup will investigate how and if the existing Grid Code Balancing Code (BC1-3) sections which facilitate the Balancing Mechanism process can be duplicated for use in TERRE. The group will also consider how to deploy market facilitation processes for TERRE to permit parties not currently bound by Grid Code requirements; potentially in coordination with the Distribution Code or perhaps via a commercial contractual route

Why

These changes are required to support GB compliance with EU legislation (EU Balancing Guideline), albeit that TERRE is a non-mandatory early adoption project. However, an ENTSO-E consultation suggested that implementing TERRE could lead to a cost saving of around €10m per annum for GB.

https://consultations.entsoe.eu/markets/terre/supporting_documents/20160307_TERRE_Consultation_FV.pdf

How

We will use the TERRE GB Impact Assessment to understand existing Grid Code processes flagged as being affected, or with potential to be replicated for use, in implementing TERRE. This is expected to primarily consist of the Balancing Code (BC) section of the Grid Code, namely BC1-3, but could also refer to the OCs regarding Electronic Dispatch.

We will also consider what changes are needed to facilitate the participation of parties not currently bound by Grid Code or existing Balancing Mechanism process. This may need coordination with the Distribution Code.

2 Why Change?

The Third Energy Package, adopted in July 2009 by the European Union (EU) provided a key step forward in developing a more harmonised European energy market. This legislation included a requirement to develop and implement European Network Codes (ENCs) to cover areas of cross-border impact.

The ENCs are set to become European Regulations, meaning that they will hold the force of European Law. Therefore, the ENCs will take precedence over any existing GB law or arrangements, including any existing licences and codes that impact National Grid and other industry participants at domestic level. Consequently, GB will need to ensure compliance with the requirements of the ENCs. Failure to do so

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would mean GB risking infraction proceedings and the potential for fines to be levied against Market Participants.

Project TERRE is a key implementation initiative for the European Electricity Balancing Guideline (EB GL), which aims to establish a pan-European market for Balancing Energy.

The project is seeking to design and develop a central platform to facilitate the close to real-time (<1 hour) exchange of Replacement Reserves (balancing energy products with a >15min lead time) between Transmission System Operators (TSOs) in Europe.

The project currently consists of six member states (GB, France, Switzerland, Spain, Portugal and Italy). Ireland and Greece are currently observers. It is due to go live in the third quarter of 2018.

The project is strategically important as it will enable GB to be compliant with EU legislation and will also form the basis for subsequent phases to meet other legal obligations stretching out until 2023.

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3 Code Specific Matters

Technical Skillsets

- Understanding of existing Grid Code processes for the Balancing Mechanism
- GB electricity market understanding
- Involvement of future TERRE participants who may not be a service provider to the TSO today

Reference Documents

ENTSO-E consultation on TERRE:
https://consultations.entsoe.eu/markets/terre/user_uploads/20160307__terre_consultation.pdf

BSC Workgroup P344:
https://www.elexon.co.uk/mod-proposal/p344/

National Grid SO Impact Assessment on TERRE Process:

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nterim_Assessment_F

4 Solution

- TBC – potentially an EU equivalent of some of the BC sections of the Grid Code to set out the participation and dispatch stages of the TERRE process

5 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact on SCR

Consumer Impacts

TERRE could provide balancing services cost savings to GB of around €10m per annum, so might have a positive consumer impact (see above for link to TERRE cost benefit analysis document).

Cross-code impacts

TERRE has an identified impact on the BSC and Grid Code. Workgroups under the Panel governance of these codes are already joint-working to ensure a consistent implement approach and to mitigate cross-code impacts and duplication.

We will also need to consider how we interact with the GC0095 workgroup progressing the implementation of the Transmission System Operation Guideline (TSOG), which contains a procedure for pre-qualification for Replacement Reserve providers.

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6 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
(i) to permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity;	Positive – provides TSO to a wide range of Reserves providers across EU to support local system management
(ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity);	Positive – provides additional market opportunities to potential Balancing Services Providers of +/-1MW capacity and up
(iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole;	Positive – See objective (i)
(iv) to efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency	Positive – is directly aimed at ensuring GB compliance to EU legislation
(v) to promote efficiency in the implementation and administration of the Grid Code arrangements.	Positive – joint working between the Grid Code and BSC is paramount in managing implementation of TERRE

7 Implementation

TERRE go-live is the target (Q3 2018); the work under the Grid Code is a dependency to BSC workgroup P344 which has already commenced.

8 Legal Text

The Proposer is welcome to put forward suggested legal text.

[Not provided]

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9 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment, commencing in early 2017.

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