

## **Modification 0688: Recovery of Shipper Losses incurred in SoLR Events**

**Action 0603: National Grid NTS PH) to determine whether Modifications 0429 and 0688 are non-compliant with the EU BAL Code and if so, what is the proposed solution for Modification 0429.**

National Grid's views on Modifications 0429, 0688 and the EU Balancing Code are set out below.

Modification 0429 enables a shipper to submit a claim for energy and transportation costs associated with settlement errors that, if successful, is funded through Balancing Neutrality. Articles 29 and 30 of the EU BAL Code make clear that the purpose of the neutrality charge is to ensure that the TSO remains cash-neutral in relation to its balancing activities. These articles make no mention of reconciliation amounts featuring in Balancing Neutrality, in fact Art 2(3) specifically states that the Regulation does not apply to reconciliation. Therefore, arrangements for post close out reconciliation adjustments are to be determined based on national rules because the EU BAL Code makes no prescription for how those are to be treated. In the GB case, energy reconciliation does – and we believe always has – formed part of the Balancing Neutrality cost apportionment based on the rationale that these are financial adjustments at SAP to correct assumed offtake quantities that fed into the original daily imbalance calculation. Inclusion of the transportation reconciliation element of 0429 sits less comfortably with the EU BAL Code because this is not directly related to National Grid's balancing activities but on the other hand, Art 2(3) is clear that reconciliation is out of scope of EU BAL Code and Art 30(2) places responsibility on the NRA to approve the Balancing Neutrality methodology which was done through Ofgem's approval of Mod 0429.

Modification 0688 seeks to enable a shipper to recover energy and UIG costs associated with Supplier of Last Resort events via Balancing Neutrality. Whilst the EU BAL Code does not specifically preclude the inclusion of such costs with balancing neutrality, unlike Mod 0429, these costs have no relationship to NG's balancing activities which the EU Code specifies as a requirement for inclusion (Art 3(3)). Therefore, we are not convinced that the inclusion of such costs within Balancing Neutrality would be compliant with the EU BAL Code and potentially carries a risk that that portion of a BN charge may be unenforceable.