

To all GB industry parties and stakeholders interested in the Replacement Reserve (RR) market being established by the Trans-European RR Exchange (TERRE) project

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### **Open letter on next steps for the implementation of Replacement Reserve (RR)**

This letter sets out the next steps that National Grid Electricity System Operator (ESO) plans to take for the implementation of RR in Great Britain. This follows the open letter<sup>1</sup> from Ofgem to the industry, published on 6 November 2020

It also supports our commitment to transparency concerning the TERRE project. Participation in the European RR market is an important deliverable for the ESO and GB stakeholders, with the potential to deliver benefits to GB consumers of €17m per year. The ESO therefore remains committed as a leading member of the TERRE project, and to the development of the Libra platform on which RR is traded.

We recognise and share the frustration of stakeholders in the delay to RR implementation. As we set out in our update<sup>2</sup> of 4 September 2020, this has been caused by a range of factors. These include:

- The challenges we have experienced this year with changes and maintenance to our core control systems
- Uncertainty surrounding the UK's access to European Union (EU) platforms after the end of Transitional Arrangements for the UK's departure from the EU on 31 December 2020
- The preference of other stakeholders for the EU's position to be clarified before they facilitate GB entry to the RR market
- Resource challenges due to the Covid-19 pandemic

Ofgem has asked the ESO to convene a GB TERRE Implementation Group. This will bring together all key stakeholders to consider and address all outstanding requirements and to develop further plans for implementation. We look forward to continuing our collaboration with stakeholders within the new Implementation Group.

### **Group terms of reference**

As indicated by Ofgem in its open letter, the overall remit of the group will be:

- Developing a baseline assumption on the UK's access to EU balancing platforms from 1 January 2021 and alternative credible scenarios

<sup>1</sup> This letter is available at:

[https://www.ofgem.gov.uk/system/files/docs/2020/11/open\\_letter\\_on\\_the\\_delays\\_to\\_implementing\\_terre\\_in\\_gb\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/11/open_letter_on_the_delays_to_implementing_terre_in_gb_0.pdf)

<sup>2</sup> This update is available at: <https://www.nationalgrideso.com/document/176006/download>

- Developing a new GB implementation plan based on the baseline assumption and the credible scenarios that is integrated across stakeholders and considers already planned obligations and updates
- Developing a plan to deliver the required revisions to the operating protocols and commercial contracts (bilateral / trilateral ancillary services agreements) with the relevant interconnector parties and system operators
- Ensure that plans are widely available, and that all parties have clarity on what actions they need to take, and by when, under credible scenarios
- Make quick progress against that plan as soon as we have certainty of what the EU position will be.

Ofgem has indicated its expectation that these plans will be in place by the end of December 2020. Therefore, we are keen to get the group set up as a matter of urgency and will welcome stakeholders' support.

### Stakeholders

We expect the group to consist of senior representatives from ESO, Elexon, relevant interconnectors and other market participants who are impacted by TERRE. **Expressions of interest should be sent to ESO using the above contact details by the end of Friday 20 November.** A senior ESO representative will chair the group and provide secretarial support.

### Practicalities

Given the timescales set by Ofgem, the **first meeting** will be held virtually during the **week commencing 23 November 2020**. Stakeholders should indicate their availability when registering their expression of interest. Meeting invitations will then be sent out to the relevant parties.

We expect the first meeting to cover:

- Review of stakeholder attendance
- Terms of reference
- Short-term plan until the end of the year

It is our expectation that the group will meet weekly, at least until Christmas, and that it will be for the group to determine what its role should be in 2021. Meeting minutes and updates will be published on the ESO website.

### Short-term plan

The short-term plan will be agreed in the first meeting. Based on the topics to cover, we anticipate that this will include:

Week commencing	Potential topics
23 November	<ul style="list-style-type: none"> <li>• Review of attendance</li> <li>• Agree terms of reference</li> <li>• Agree and publish short-term plan</li> </ul>
30 November	<ul style="list-style-type: none"> <li>• Develop credible scenarios from 1 January 2021</li> </ul>
7 December	<ul style="list-style-type: none"> <li>• Agree and publish credible scenarios</li> </ul>
14 December	<ul style="list-style-type: none"> <li>• Develop action plan</li> <li>• Discuss future role of the group</li> </ul>
21 December	<ul style="list-style-type: none"> <li>• Agree and publish action plan, with clear and tangible next steps for each party</li> <li>• Agree future role of the group.</li> </ul>

We look forward to expressions of interest from stakeholders. If you have any questions regarding the information contained in this letter, please contact us using the details above.

Yours faithfully

**Graham Dolamore**

Programme Director - Balancing and ENC Compliance