

# Response to Ofgem's REMIT Investigation

20 July 2017

## Ofgem's Investigation

As explained in Ofgem's statement ([link](#)), Ofgem has undertaken a REMIT investigation into NGET as a result of NGET having unintentionally caused the publication of inaccurate margin information. Ofgem decided not to proceed with the investigation given the relatively limited direct impact on the market. This response explains how the errors occurred and what National Grid as System Operator has done to resolve the issues and to improve its processes and procedures.

## What went wrong?

Changes were introduced to National Grid's MODIS (Market Operation Data Interface System) system as a result of the Electricity Balancing and Settlement Code Review (EBSCR) modification P305 to the Balancing and Settlement Code (BSC). Following these changes there were several issues with the calculation of de-rated margin (DRM) data within MODIS, which caused incorrect DRM data to be reported to the market on the Balancing Mechanism (BM) Reports website on 26, 27 and 30 November 2015 and on 8 December 2015. Further investigations in January 2016 highlighted a wider issue with the DRM calculation. Following circulars which were issued to the market to keep stakeholders informed, the live feed from MODIS to BM Reports was suspended between 27 January and 7 March 2016, whilst National Grid investigated and corrected the issues.

National Grid takes compliance and our responsibilities to energy market participants and our stakeholders with the utmost seriousness. We recognise that publication of the incorrect DRM data, whilst unintentional, potentially gave an inaccurate signal as to the price of wholesale electricity, contrary to Article 5 of REMIT. This is clearly regrettable and we have cooperated fully with Ofgem's investigation, to explain the cause of the errors and the improvement steps that National Grid has taken.

## What has changed?

Since identifying the MODIS issues, National Grid has worked hard to assess the cause of the errors, and to resolve these, working with our independent Information Systems (IS) consultants. We have put in place additional measures to ensure that MODIS is fully tested and robust, in order to improve industry confidence. This is further explained in our Project Lessons Learned document ([link](#)) which combines the outcomes from the independent technical audit and from our business and IS lessons learned activities carried out as part of the review. We have now completed the prioritised interim and enduring recommendations, including a series of checks across MODIS in relation to performance, accuracy of information and internal processes. We also have a programme of further enhancements to improve system resilience.

National Grid's objectives when responding to the issues identified have been to:

- Ensure that the current MODIS system is fully tested and robust, to improve industry confidence;
- Monitor ongoing system performance and data quality, to ensure a robust and timely response to any issues; and
- Improve stakeholder communication and embed new communication processes within the business.

## How have we improved?

- We have developed an enhanced compliance programme to ensure our data publication processes and procedures are robust, risks are understood and well managed, and consistent principles and standards are embedded into our daily way of working.

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- We have changed our approach to project delivery so that it is focussed not only on the value of the project being delivered, but on the significance of the output for our stakeholders and energy market participants.
- We have reviewed our IS procedures as a whole and have bolstered our IS testing capability, introducing a dedicated System Operator testing service with more emphasis on controlling and witnessing testing with suppliers and approving systems.
- We have improved our communications with the industry. For example, we have agreed a new communications protocol with ELEXON to communicate any MODIS issues in a timely and robust manner and we have reported our improvement activities in several industry forums. We also make sure that we regularly update the industry in relation to any new system developments to ensure that stakeholders understand what is being delivered. We ensured industry was kept informed during functionality changes to MODIS due to the introduction of the Capacity Market and ACER-REMIT updates.

We believe we have made significant improvements to our systems, compliance processes, our culture and ways of working. We have learned from these issues and we are confident that we will deliver robust and compliant solutions in future.

## Engagement with Industry

We recognise that industry participants have requested more engagement from the System Operator regarding IS projects and systems development. Therefore we intend to form a working/user group with industry participants at which SO representatives will share the latest information about IS developments and address any queries raised.

We are conscious that there are existing industry forums to discuss industry changes to codes and related processes, therefore so to avoid duplication, we would like to hear from you as to the most useful and efficient way of running the proposed industry group. Please contact us on [operational.forum@nationalgrid.com](mailto:operational.forum@nationalgrid.com) with your views. Alternatively, we would be happy to discuss the group with you at the next Electricity Transmission Operational Forum:

- 19 October 2017 at IET London, 2 Savoy Place, London, WC2R BL3 – 10:00 – 16:00