

CM069: National Grid Legal Separation - consequential changes to incorporate NGENSO in STC Sections & Schedules

01	Initial Modification Report
02	Industry Consultation
03	Draft Final Modification Report
04	Final Modification Report

Purpose of Modification: This proposal seeks to modify the System Operator Transmission Owner Code (STC) to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited. References to NGET have been replaced by NGENSO, where relevant, throughout the STC Sections and Schedules in order to ensure the System Operator and Transmission Owner obligations are clear.

The purpose of this document is to consult on the proposal presented within CM065 with STC Parties and other interested Industry members. Representations made in response to this Proposed STC Modification Report will be considered by the STC Panel and agreed for inclusion the Final STC Modification Report to be submitted to the Authority.

Published on: 31 May 2018




Length of Consultation: 20 Working Days






Responses by: 28 June 2018



This modification proposal was raised on 17 April 2018 and was presented by the Proposer to the Panel on 25 April 2018.

The STC Panel unanimously agreed that CM069 should follow a standard

	governance route and proceed to Industry Consultation for 20 working days.
	High Impact: None
	Medium Impact None
	Low Impact National Grid, Scottish Power Transmission, SHE Transmission, Offshore Transmission Owners

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Timetable

The timetable was approved at the Panel on 25 April 2018.

STC Modification Proposal tabled at the STC Panel	25 April 2018
Panel agreed standard governance route	25 April 2018
Issue Industry Consultation for 20 Business days	31 May 2018
Industry Consultation Closes	28 June 2018
Issue Proposed STC Modification Report to Industry and Authority for 5 Working days	9 July 2018
Panel to agree Final STC Modification Report	25 July 2018

Final STC Modification Report issued to the Authority	7 August 2018	
Indicative Authority Decision	11 September 2018	
Implementation	1 April 2019	

Proposer Details

Details of Proposer: (Organisation Name)	NGET
Capacity in which the STC Modification Proposal is being proposed: (i.e. STC Party, Party Representative or person or persons having a relevant interest as may be designated in writing for this purpose by the Authority)	STC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Bec Thornton NGET 07887 822443 Bec.thornton@nationalgrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	John Martin NGET 07794 050359 John.martin2@nationalgrid.com

Attachments (Yes):

STC Section A – Applicability of Sections and Code Structure
STC Section E – Payments and Billing
STC Section F – Communications and Data
STC Section H – Dispute Resolution
STC Section I - Transition
STC Section J – Interpretation and Definitions
STC Section K – Technical Design and Operational Criteria and Performance Requirements for Offshore Transmission Systems

STC Schedule 1 – Accession Agreement
STC Schedule 3 – Information and Data Exchange Specification
STC Schedule 5 – NGET Connection Application
STC Schedule 6 – NGET Modification Application
STC Schedule 7 – System Construction Application
STC Schedule 8 – TO construction Offers
STC Schedule 9 – TO Construction Terms
STC Schedule 10 - Charges
STC Schedule 11 – TEC Exchange Rate Applications
STC Schedule 12 – TO TEC Exchange Rates
STC Schedule 13 – NGET Requests for Statement of Works
STC Schedule 15 – Transmission Interface Agreement

For information:

1. Sections B, C, D and G will be the subjects of separate Modification Proposals each to be submitted to the STC Modification Panel in parallel to this one;
2. There is no requirement for Schedule 2 to be modified and hence has been omitted from this Modification Proposal;
3. A Modification Proposal for Schedule 4 will be submitted by the JPC;
4. Schedule 14 of the STC is not used and hence has been omitted from this Modification Proposal.

Impact on Core Industry Documentation.

Please mark the relevant boxes with an “x” and provide any supporting information

BSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Other	<input type="checkbox"/>

Although this modification proposal does not directly impact upon other industry codes, other proposed code modifications are being simultaneously raised to other industry codes (Grid Code, CUSC, BSC, Distribution Code, DCUSA, SQSS) as a result of creating a legally separate system operator.

1 Summary

Defect

The STC defines the relationship between the Transmission System Owners and National Grid as the National Electricity Transmission System Operator (NETSO).

On 1 April 2019 and following the legal separation of the System Operator and Transmission Owner within National Grid Group, the STC will no longer place the correct relevant obligations on those two National Grid new legal entities.

What

It is proposed that the structure of the STC is modified to introduce the new NGESO legal entity, and the existing NGET legal entity in a new role as a relevant transmission licensee.

The relevant obligations of the System Operator will move to NGESO and National Grid Electricity Transmission plc (NGET) as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners.

Why

In order to implement legal separation, changes are required to NGET's existing licence required to implement legal separation; all system operator obligations will be transferred into a new transmission licence for the NGESO and as such need to be reflected accordingly within the electricity codes. The licence changes are the subject of ongoing consultation¹.

How

On 22 September 2017, NGET published an open letter detailing its approach to modifying the relevant Industry Codes² confirming NGET's intention to raise one Code Modification Proposal for each Industry Code. Subsequent work identified that 5 STC modification proposals were required. CM069 is the one of these.

The introduction of NGESO will be throughout the whole of the STC in its Sections and Schedules except Schedule 2, where there is no reference to NGET currently hence no modification is required.

This Modification Proposal CM069 excludes Sections B, C, D and G and Schedule 4 which will each be submitted as separated Modification Proposals.

¹ [Future Arrangements electricity System Operator Informal consultation on ESO Licence Drafting](#)

² NGET's Open Letter [Open Letter 22 Sept 2017](#)

2 Governance

Justification for Normal Procedure

On 25 April 2018, the STC Panel agreed with the Proposer's view that this Modification should proceed along the standard governance route for an Authority decision.

3 Why change

Following the joint statement issued by BEIS, Ofgem and National Grid on 12 January 2017 entitled "Statement on the future of Electricity System Operation"³ and the subsequent consultation response by Ofgem on 3 August 2017 to the ESO separation⁴, changes to the STC were identified to reflect the System Operator requirements and to place the current Transmission Owner requirements on NGET as a Transmission Owner.

NGET and NGESO will become separately licensed entities as a consequence of NGET partially transferring its existing licence to NGESO (the System Operator elements only) to NGESO under section 7A Electricity Act 1989 and NGET will retain the Transmission Owner elements.

4 Panel View

On 25 April 2018, the STC Panel agreed that CM069 should be progressed using the standard route and be issued to Industry Consultation for 20 Working days. The views of the STC Panel were as follows:

National Grid

National Grid is supportive of CM069 and agrees it should follow a standard route and the Authority make the decision.

Offshore Transmission Owners (OFTO's)

The OFTO's are supportive of CM069 and agree it should follow a standard route and the Authority make the decision.

Scottish Hydro Electric Transmission plc (SHET)

SHET is supportive of CM069 and agree it should follow a standard route and the Authority make the decision.

SP Transmission Limited (SPT)

³ Consultation and Decision documents [Future Arrangements Electricity System Operator](#)

⁴ Ofgem's Consultation Response [Future Arrangements Electricity System Operator Ofgem Response](#)

SPT is supportive of CM069 and agree it should follow a standard route and the Authority make the decision.

5 Code Specific Matters

Technical Skillsets

Not applicable for this Modification. /A

Reference Documents

Please refer to Section 3 above for further information.

6 Solution

NGET has been replaced by NGESO where relevant throughout the STC Sections and Schedules in order to ensure the SO and TO obligations are clear.

7 Impacts & Other Considerations

All parties to the STC are impacted, to the extent that the relationship between the all Transmission Owners will change to be with NGESO not NGET.

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

N/A

Consumer Impacts

N/A

8 Relevant Objectives

Relevant Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	Positive
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity	

transmission	
(c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity	
(d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees	
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	

The Proposer believes that this change will better facilitate relevant objective (a), by attributing the appropriate obligations to NGENSO as System Operator and the Transmission owners in accordance with the new NGENSO Transmission Licence and modified NGET Transmission Licence obligations.

9 Implementation & Transition

Legal text for CM069 has been drafted using the baseline of April 2018 STC text and as the modification progresses through the governance process, the text may need to be revised in light of Business as Usual modifications to the STC.

The Code Administrator will ensure that the Proposer is aware of any Business as Usual Modification Proposals and the Proposer will take into account any relevant amendments to the CM069 that may need to be made prior to 1 April 2019 and notify the STC Modification Panel should anything in CM069 require further modification as a result of this.

CM069 may require transitional changes to the STC and these will be discussed with the STC Panel and drafted into the legal text CM069 as and when the Proposer becomes aware of these.

CM069 together with the other four associated STC Modification proposals and the associated STC novation agreement in respect of National Grid's legal separation are all interdependent and as such, are all required to be implemented as a single update to the STC on 1st April 2019 following The Authority's determination.

10 Legal Text

Text Commentary

Due to the many places 'NGET' has been replaced with 'NGESO' throughout the STC, the proposed Legal Text for the relevant Sections and Schedules can be found in Attachments 1-19

11 Recommendations

At the STC Panel meeting on 25 April, the STC Panel:

- Agree unanimously that CM069 should follow the standard route with the Authority making the decision
- Agreed that the report should be issued for Industry Consultation for 20 working days.