





CM065:
 National Grid Legal Separation - consequential changes to reference NGENSO in STC Section C and changes to Outage Planning Data Timescales.


01	Initial Modification Report
02	Industry Consultation
03	Draft STC 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. Where relevant, references to NGET throughout Section C in the STC have been replaced by NGESO to ensure the obligations on the System Operator and Transmission Owner are clear. Changes to Section C Part 2 also include the option for a Transmission Owner to submit outage planning information to NGESO in timescales beyond 6 Financial Years.

 This Final Modification Report has been prepared in accordance with the terms of the STC. An electronic version of this document and all other CM065 related documentation can be found on the National Grid website via the following link:
<https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code/modifications/national-grid-legal-separation-5>
 At the STC Panel meeting on 29 August 2018, the Panel members unanimously recommended that CM065 should be implemented.
 The purpose of this document is to assist the Authority in making its determination on the proposed implementation of CM065.


 **High Impact:** None


	Medium Impact None
	Low Impact National Grid, Scottish Power Transmission, SHE Transmission, Offshore Transmission Owners

Contents		 Any questions?
1	Summary	4
2	Original Proposal	5
3	Proposer's Solution	6
4	Governance	7
5	Industry Consultation Responses	7
6	Impacts and Other Considerations	7
7	Code Specific Matters	8
8	Relevant STC Applicable Objectives	8
9	Panel Recommendation Vote	9
10	Implementation & Transition	10
11	Legal Text	10
12	Annex 1– Legal Text	10
13	Annex 2– Industry Consultation Response	10
Timetable		
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 draft STC Modification Report to Industry and Authority for 5 Working days		9 July 2018
Panel to agree Final STC Modification Report		29 August 2018


 Any questions?

Contact:
Code Administrator

 Lurrentia.Walker@nationalgrid.com

 07976 940 855

Proposer: Bec Thornton

 bec.thornton@nationalgrid.com

 07887 822443

Final STC Modification Report issued to the Authority	1 November 2018	
Indicative Authority Decision	6 December 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:	John Martin
Organisation:	NGET
Telephone Number:	07794 050359
Email Address:	John.martin2@nationalgrid.com
Attachments (Yes):	
STC Section C – Transmission Services and Operations	
<u>For information:</u>	
1. Modification Proposals for other Sections and Schedules of the STC (except for Schedules 2 and 14 as no changes are required) will be submitted to the STC Modification Panel in parallel to this one.	

Impact on Core Industry Documentation.

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

BSC	
Grid Code	
CUSC	
Other	

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

This document is the Final STC Modification Report document that contains the responses to the Industry Consultation that was issued on 31 May 2018 for 20 Working days.

CM065 was proposed by National Grid and was submitted to the STC Modification Panel for its consideration on 25 April 2018. The Panel decided to send this proposal to Industry Consultation for 20 working days.

CM065 aims 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. Where relevant, references to NGET throughout Section C in the STC have been replaced by NGESO to ensure the obligations on the System Operator and Transmission Owner are clear. Changes to Section C Part 2 also include the option for a Transmission Owner to submit outage planning information to NGESO in timescales beyond 6 Financial Years.

One response was received to the Industry Consultation which supported the modification. This response can be found in Annex 2 of this document.

At the STC Panel on 29 August 2018 the Panel voted on CM065 against the Applicable STC Objectives. The STC Panel unanimously agreed that CM065 better facilitates the STC Objectives, in particular object (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act' and recommended that it should be implemented.

The Final Modification Report has been prepared in accordance with the terms of the STC. An electronic copy can be found on the National Grid Website <https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code/modifications/national-grid-legal-separation-5> along with the STC Modification Proposal Form.

2 Original Proposal

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.

The STC currently states that Transmission Owners to submit Outages Plans to NGET as System Operator out to 6 Financial Years only. It has no flexibility for allowing a Transmission Owner to submit outage information to NGET beyond 6 years.

What

This proposal aims to modify the structure of the STC to recognise NGESO as a new legal entity and as separate to NGET in its new role as a relevant transmission licensee.

In addition to the above and as will be set out in Section C of the STC, Transmission Owners will be able to submit outage planning information to NGESO for timescales beyond 6 Financial Years.

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.; All System Operator obligations will be transferred to a new transmission licence and this change needs to be reflected accordingly within the electricity codes. An informal consultation has already been published by Ofgem and the ESO licence drafting continues to be developed in light of the stakeholder responses (insert footnote)¹.

NGET in its role as Transmission Owner currently plans outages required beyond 6 years. This modification will allow this to continue to happen and will create a level playing field for all Transmission Owners to do the same/enable all the Transmission Owners the opportunity to do the same.

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. CM065 is the one of these.

Include the option for a Transmission Owner to submit Outage Plans to NGESO in timescales beyond 6 Financial Years.

3 Proposer's Solution

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.

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

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

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

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

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

Section C Part Two will be modified to include the option for a Transmission Owner to submit Outage Plans to NGENSO in timescales beyond 6 Financial Years.

4 Governance

Justification for Standard Procedure

On 25 April 2018, all STC Panel Representatives reviewed the STC Modification Proposal and unanimously agreed that CM065 should be progressed along the standard governance route firstly being issued to Industry Consultation for 20 working days and be submitted to the Authority for decision.

5 Industry Consultation Responses

One response was received to the Industry Consultation. The full response can be found under Annex 2 of this document. The respondent agreed that the proposal helps achieve legal separation of NGET's SO and TO functions. They stated that it better facilitates objectives (a) and (e) in fulfilling what will be a licence obligation and in promoting good industry practice, noting the principle of these changes is that there is no betterment.

6 Impacts and Other Considerations

All parties to the STC are impacted to the extent that the relationship between all the Transmission Owners will change to be with NGENSO 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

Industry costs	
Resource costs	£ 908 – 1 Consultations <ul style="list-style-type: none">• 1.5 man days effort per consultation response• 1 consultation respondent (1 consultation)
Total Industry Costs	£ 908

7 Code Specific Matters

Technical Skillsets

Not applicable for this Modification.

8 Relevant STC Applicable 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 NGESO as System Operator and the Transmission owners in accordance with the new NGESO Transmission Licence and modifies NGET Transmission Licence obligations.

9 Panel Recommendation Vote

On 29 August 2018, the STC Panel held their recommendation vote on CM065. The Panel unanimously agreed that CM065 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act'

The views of the STC Panel were as follows:

National Grid

National Grid voted that Modification Proposal CM065 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act'.

Offshore Transmission Owners (OFTOs)

The OFTO group voted that Modification Proposal CM065 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act'.

(SHET) Scottish Hydro Electric Transmission

(SHET) Scottish Hydro Electric Transmission voted that Modification Proposal CM065 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act'.

SP Transmission Limited (SPT)

SP Transmission voted that Modification Proposal CM065 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act'.

10 Implementation & Transition

Legal text for CM065 has been drafted using the baseline of Version 12 of the STC (April 2018). As the modification progresses through the governance process, the text may need to be revised to align to the baseline text which may change in light any interim 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 CM065 that may need to be made prior to 1 April 2019 and notify the STC Modification Panel should anything in CM065 require further modification as a result of this.

CM065 may require transitional changes to the STC and these will be discussed with the STC Panel and drafted into the legal text CM065 as and when the Proposer becomes aware of these.

CM065 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.

11 Legal Text

Text Commentary

Modify Section C, Part Two to include the option for a Transmission Owner to submit Outage Plans to NGENSO in timescales beyond 6 Financial Years.

Please refer to Annex 1 for proposed text.

12 Annex 1– Legal Text

The legal text for CM065 can be found on National Grid's website via the following link:

<https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code/modifications/national-grid-legal-separation-5>

13 Annex 2– Industry Consultation Response

Table 1: Response Proforma

Respondent:	<i>Rob Wilson</i>
Company Name:	<i>NGET</i>

<p>Please express your views regarding the Industry Consultation, including rationale.</p> <p>(Please include any issues, suggestions or queries)</p>	<p>For reference, the Applicable STC objectives are:</p> <p>(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act</p> <p>(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission</p> <p>(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</p> <p>(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</p> <p>(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.</p> <p>(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;</p> <p>(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>	
Q	Question	Response
1	<p>Do you believe that CM065 better facilitates the STC objectives? Please include your reasoning.</p>	<p>This modification helps to achieve legal separation of NGET's SO and TO functions. As such it better facilitates objectives (a) and (e) in fulfilling what will be a licence obligation and in promoting good industry practice.</p> <p>With the exception of the changes to Section C Part Two to include the option for all Transmission Owners to submit Outage Plans to NGESO in timescales beyond 6 Financial Years (as is current practice for NGET in its role as the E&W TO), the principle of these changes is that there is no betterment.</p>
2	<p>Do you support the proposed implementation approach? If not, please provide reasoning why.</p>	<p>Yes</p>

3	Do you have any other comments?	No
---	--	----