



GC0XX – Introducing
Competitively Appointed
Transmission Owners

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Background

- The **Energy Security Bill** was introduced to Parliament on 6 July, which makes provisions to enable competitive tenders in onshore electricity networks.
- BEIS indicate that, through the introduction of competition, consumers could see savings of up to £1 billion on projects tendered over the next ten years
- This modification aims to introduce the concept of **Competitively Appointed Transmission Owners (CATO's)** for the purposes of introducing Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.
- BEIS have indicated a preference for the FSO to run tenders to appoint a preferred bidder.
- CATOs will be appointed following a tender process and will be financed through a long Tender Revenue Stream.
- To allow **Onshore Network Competition** to be implemented effectively the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant codes.
- The proposed modifications will enable both early and late competition and are based upon the assumption that CATOs will be granted a Transmission Licence and will be categorised as Onshore Transmission Licensees.

GC0XXX 'CATO' Mod

- **The ESO is now raising a new mod** to cover the requirements to facilitate introduction of Competitively Appointed Transmission Owners
- **The legal text changes are to be made in association with changes to other Codes**, including STC, CUSC, SQSS and BSC
- The changes consist mainly of:
 - Introducing the **concept of Competitively Appointed Transmission Owner** into the Glossary & Definitions
 - Changes to **Safety and Technical Standards** to include CATO's
 - Definition of **Small, Medium and Large power station thresholds** within the context of CATO

Legal Text Changes

Please note the following points of guidance regarding the legal text changes. This is not an exhaustive list of the changes so please review the legal text for full details.

Note that the objective of this modification is to implement minimum changes to ensure continued operability of the Grid Code arrangements.

The changes listed below are made on the assumption that CATO will be introduced as a sub-category of Onshore Transmission Licensee.

Section	Legal text change
Glossary & Definitions	introduce the CATO concept; Amend definitions, including: Onshore Transmission Licensee; Transmission Interface Points (Onshore to Onshore); E&W Transmission System; Small, Medium and Large Power Stations; Local Safety Instruction; E&W Transmission Licensee and Scottish Transmission Licensee; Remote Transmission Assets; Scottish Transmission System; Transmission Interface Circuit.
Planning Code	introduce amendments to Appendix C to ensure technical, design and operational criteria for CATO licensees are clarified.
Operating Code	introduce concept of CATO with respect to Interface Points and Boundaries of Influence as described in the Grid Code (and STC) for CATO licensees; Ensure CATO technical standards are made clear through the Grid Code including how these align with existing TO areas; Set out Governance rules/ Grid Code panel representation appropriately for CATO's.
Governance Rules	account for CATO in Governance Rules and Representation , our suggested path being to group with Onshore Transmission Licensees.
Balancing Code No.2;	detail obligations of BMUs in relation to the commencement or termination of their participation in the BM. Relevant Demand Capacity varies across the SPT's SHETL's and NGET's network. There is a need to reference CATO concept.
General Conditions	Insert reference to CATO. Including GC.A.2.7 and GC.A.2.8 - add in concept of CATO to provision of data. Currently only references SPT and SHETL

Proposed Standard Timeline for Early competition Grid Code modification

Milestone	Date	Milestone	Date
Modification presented to Panel	29 September 2022	Workgroup report issued to Panel	18 May 2023
Workgroup Nominations (15 working days)	3 October 2022 to 21 October 2022 (5pm)	Panel sign off that Workgroup Report has met its Terms of Reference	25 May 2023
Workgroup 1 - Understand proposal and solution(s), note the scope, agree timeline, agree and review terms of reference, review cross code impacts, review analysis, agree next steps	3 November 2022	Code Administrator Consultation (15 working days)	1 June 2023 – 21 June 2023
Workgroup 2 - Refine solution(s), draft legal text and consider potential Workgroup Consultation questions	6 December 2022	Draft Final Modification Report (DFMR) issued to Panel	22 June 2023
Workgroup 3 - Review Workgroup Consultation questions and finalise Workgroup Consultation	11 January 2023	Panel undertake DFMR recommendation vote	29 June 2023
Workgroup Consultation (15 working days)	25 January 2023 to 14 February 2023 (5pm)	Final Modification Report issued to Panel to check votes recorded correctly	3 July – 7 July 2023
Workgroup 4 - Review Workgroup Consultation Responses, consider new points raised, refine solution, review legal text and discuss any potential alternatives	2 March 2023	Final Modification Report issued to Ofgem	12 July 2023
Workgroup 5 - Finalise solutions (including legal text) and alternatives and hold alternative vote	6 April 2023	Ofgem decision	End 2023
Workgroup 6 - Finalise Workgroup Report and hold Workgroup Vote	11 May 2023	Implementation Date	Q1 2024

GC0XXX – Asks of the Panel

- **AGREE** that this modification meets Standard Governance Criteria (Ofgem decision)
- **AGREE** that these Modifications should proceed to Code Administrator Consultation / Work Group
- **SHARE** industry views on how CATOs should be categorised in relation to Governance Rules
- **NOTE** the proposed timeline

Grid Code Standard Governance Criteria

- Standard governance (Authority Decision)
- Assessment by a Work Group (For modifications which need further input from industry to develop the solution)

Guidance on governance routes

Timescales	Route	Who makes the decision (Governance type)
Normal	Proceed to Code Administrator Consultation*	Authority (Standard Governance) or Panel (Self-Governance)
	Assessment by a Workgroup**	
Urgent	Proceed to Code Administrator Consultation	Authority (Standard Governance)
	Assessment by a Workgroup	
Fast-track	Straight to appeals window, then implementation	Panel (Self-Governance)

* This route is for modifications which have a fully developed solution and therefore don't need to be considered by a Workgroup.

** For modifications which need further input from industry to develop the solution.