

## Workgroup Consultation

# CM084: Clarify STCP modification approach for cross-code changes

**Overview:** This modification seeks to Clarify the governance arrangements where Panel decisions to approve/reject STC Procedure (STCP) modifications may need to be unwound following an Authority determination for a corresponding cross-code modification.

## Modification process &amp; timetable



**Have 5 minutes?** Read our [Executive summary](#)

**Have 20 minutes?** Read the full [Workgroup Consultation](#)

**Have 30 minutes?** Read the full Workgroup Consultation and Annexes.

**Status summary:** The Workgroup have finalised the proposer's solution. They are now seeking approval from the Panel that the Workgroup have met their Terms of Reference and can proceed to Code Administrator Consultation.

**This modification is expected to have a:** **Medium impact:** STC Parties **Low impact:** The Authority and the Code Administrator

<b>Governance route</b>	Standard Governance modification with assessment by a Workgroup	
<b>Who can I talk to about the change?</b>	<b>Proposer:</b> Richard Woodward, NGET <a href="mailto:Richard.Woodward@nationalgrid.com">Richard.Woodward@nationalgrid.com</a>  Phone: 07964 541743	<b>Code Administrator Chair:</b> Milly Lewis <a href="mailto:Milly.Lewis@nationalgrideso.com">Milly.Lewis@nationalgrideso.com</a>  Phone: 07811036380

## Contents

<b>Contents</b> .....	<b>2</b>
<b>Executive summary</b> .....	<b>3</b>
<b>What is the issue?</b> .....	<b>4</b>
Why change? .....	4
<b>What is the solution?</b> .....	<b>4</b>
Proposer's solution.....	4
<b>Workgroup considerations</b> .....	<b>5</b>
Draft legal text .....	6
<b>What is the impact of this change?</b> .....	<b>6</b>
Proposer's assessment against Code Objectives .....	6
Proposer's assessment against STC Objectives .....	6
Workgroup vote .....	7
<b>When will this change take place?</b> .....	<b>8</b>
Implementation date .....	8
Date decision required by .....	8
Implementation approach .....	8
<b>Interactions</b> .....	<b>8</b>
<b>Acronyms, key terms and reference material</b> .....	<b>8</b>
Reference material .....	9
<b>Annexes</b> .....	<b>9</b>

## Executive summary

The purpose of the modification is to build on the existing governance provisions within the System Operator Transmission Owner Code (STC) to ensure a timelier development and approval of STCP modifications (amendments or additions) – particularly those which result from cross-code changes (e.g. CUSC or Grid Code).

### What is the issue?

The existing governance provisions within the STC related to the development of STCP changes do not adequately foresee the potential for material changes deriving from a cross-code change. Therefore, there are minimal obligations on STC Parties to ensure any STCP modifications are developed in a timely manner to allow proper consideration of changes impacts. It is also unclear how or if STC Parties should agree (i.e., approve/reject) to changes when they relate to a cross-code changes, ahead of the Authority making a decision on a package of reform.

### What is the solution and when will it come into effect?

**Proposer's solution:** Update 7.3. Amendment and Creation of Code Procedures of Section B: Governance of the STC Code to better manage STCP modification processes, including for cross-code changes.

**Implementation date:** This modification will be implemented 10 working days after Authority's decision

**Workgroup conclusions:** The Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline.

### What is the impact if this change is made?

The modification would have a low-medium impact on STC Parties as it requires more proactive development of STCP changes than the Proposer feels is currently in place, additionally there is the involvement of the STC Panel in helping to ascertain materiality. By evolving existing code processes, the impact on the Authority and the Code Administrator is minimal.

### Interactions

Whilst this modification focuses on the interactions with cross code modifications which will result in potentially material changes to STC Procedures, the impact of this change is solely limited to the STC and STC Parties.

## What is the issue?

In the last few years, the Proposer believes an increased number of cross-code modifications (e.g., changes initiated from CUSC/Grid Code change proposals) have been raised with a more significant impact on the STCPs and therefore STC Parties. Sometimes during the development of cross code changes the precise impact on STC Parties is only fully understood once the STCP changes have been developed. In the Proposer's view this context makes it even more important for the governance rules to show deference to early assessment of potential STCP modifications, and/or a need to clarify how the timing and impact of STCP changes is understood by both the Panel and Ofgem in their consideration of a package of cross-code changes. The Proposer is wary that this may not be the case today, with STCP modifications potentially being considered a secondary concern to main body STC changes. This risks negative outcomes from cross-code changes for STC Parties and may lead to Ofgem approving cross-code changes without full sight of the wider impacts on industry. Consequently, the Proposer believes the governance rules require enhancement to rectify this situation.

## Why change?

- Provide transparency to Panel, Ofgem and STC parties on the rules around the timely assessment and determination of STCP modifications resulting from cross-code modifications
- More robust and timely consideration of material impacts on the STCPs and STC parties.
- Ensure the STC governance rules are future proofed.

## What is the solution?

### Proposer's solution

This proposal seeks to amend the governance rules to be more prescriptive of the interactions and timings for STC Panel, and as required Ofgem, to better consider STCP changes stemming from cross-code modifications:

1. Relevant STC Party identifies need for a consequential STCP modification resulting from a cross code change.
2. The STCP change should be developed ASAP in collaboration with other Relevant STC Parties, with due consideration of material impacts, utilising joint-working as required.
3. When the STCP proposal is fully developed, and where the change is considered by the Relevant STC Parties to be 'material', the STC Panel should be notified and their confirmation provided that the change is material.
4. As per existing governance processes, the Authority's permission should be sought for STC Panel to approve the change, or whether an alternative route (noting the link to a cross-code change) is more appropriate
5. Relevant Parties and the Panel Secretary proceed based on the Authorities' steer.

## Workgroup considerations

The Workgroup convened 5 times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable Code Objectives.

The Workgroup held their Workgroup Consultation between 02 September 2022 – 26 September 2022 and received 2 responses. The full responses and a summary of the responses can be found Annex 4.

- Both respondents stated that the Original Proposal better facilitated applicable objective “(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.”
- Both respondents were supportive of the implementation approach
- No Alternative were proposed
- One Respondent felt that whilst the modification provided additional clarity it could be managed through CACoP rather than altering the STC legal text
- One Respondent agreed that timely assessments required for impact on STCPs caused by cross code changes

### Consideration of the proposer’s solution

Whilst the Proposer recommended two potentially new routes to fix their defect in their proposal form, the Workgroup quickly identified existing governance rules which could be evolved to provide a more efficient single solution instead. This was supported by the Proposer.

The focus of the workgroup then shifted to routes to manage the following aspects of the defect:

- Timeliness of developing of proposals
- Consideration of Materiality
- The role of STC Parties and Code Admin

### Timeliness of developing of proposals

The Workgroup discussed whether or not the existing governance oversight of development of STCP changes, particularly those deriving from cross code changes, meant that there was a risk that STCP impacts might not be identified until late in the code change process.

The Workgroup focused on finding a way to ensure early sight of these impacts, agreeing that existing the Code Modification Tracker produced by the Code Administrator served as a good tool for this. The Workgroup agreed that STC Parties (STC Panel members) have the unwritten obligation to horizon scan.

As there is a formalised process for sharing the information, no additional obligations were required. However, the need to develop proposals more swiftly once identified, and ideally in alignment or potentially collaboration with cross-code working groups, was agreed as a minimum best practice.

### Consideration of Materiality

The Proposer discussed their concern that existing ways of working could lead to ‘material’ changes being imposed on STC Parties due to the delay in developing STCP changes resulting from cross code changes. The Proposer gave an example of potential material

changes; this included increased the complexity or timing of existing interactions (e.g., data exchange) between Onshore TOs, OFTOs and ESO, which could lead to increased resource burdens on STC Parties which were not envisaged in their Price Control business plans approved by Ofgem.

A potential evolution of existing governance processes regarding material changes, as set out in Section B 7.3.2.3 and 7.3.4, was identified by a Workgroup member to help address this aspect of the defect. The Workgroup agreed that this process should consider adjustments to existing obligations, as well as new obligations not foreseen by the main body STC. The Authority representative sought to have more scrutiny by Panel prior to any requests being made to them.

The Workgroup agreed to that the STC Panel should assess what constituted ‘materiality’ rather than proposing a formal definition of ‘materiality’.

### **The role of STC Parties and Code Admin**

There were extensive Workgroup discussions around the current provisions within STC and Code Administrator Code of Practice (CACoP) as to whether they promote efficient identification and development of cross-code STCP changes and are accessible enough to STC Parties.

The Workgroup agreed that the Code Administrator did not need additional obligations to deliver the benefits of the modification and that the onus was on STC Parties to proactively engage the Code Administrator colleagues when appropriate.

Some general ways of working improvements for all stakeholders in the process were flagged in line with best practice for recent STCP developments.

### **Consideration of other options**

The Workgroup did not consider any Alternatives other than the Proposer and Code Admin having bilateral conversations to see if the governance rule gaps could be resolved through ways of working.

The Proposer was very clear that having the specifics built into the STC would ensure that the process was understandable for new entrants to the STC, as they felt that the CACoP is not immediately visible within the STC.

### **Draft legal text**

The current draft legal text for this change can be found in Annex 3.

## **What is the impact of this change?**

### **Proposer’s assessment against Code Objectives**

#### **Proposer’s assessment against STC Objectives**

<b>Relevant Objective</b>	<b>Identified impact</b>
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	<b>Negative</b>
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	<b>Positive</b> Ensures that the STC Panel are adequately consulted on

	matters related to cross-code changes which could materially impact their ability to undertake system operation / development roles.
(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	<b>Neutral</b>
(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	<b>Positive</b> Ensures that the STC Panel are adequately consulted on matters related to cross-code changes which could materially impact their ability to undertake system operation / security of supply roles.
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC	<b>Positive</b> Ensures that governance rules are more explicit and transparent to better facilitate the progression and conclusion of STCP modifications related to cross-code changes.
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	<b>Neutral</b>
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	<b>Neutral</b>

### **Workgroup vote**

The Workgroup met on 30 September 2022 to carry out their Workgroup vote. The full Workgroup vote can be found in Annex 5. The table below provides a summary of the Workgroup members view on the best option to implement this change.

The Applicable STC Objectives are:

### **STC**

- a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act
- 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 Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	4

### When will this change take place?

#### Implementation date

This modification will be implemented 10 working days after Authority's decision

#### Date decision required by

As soon as possible

#### Implementation approach

No impacts on systems; this modification relies on amendments to code legal text only.

### Interactions

- |   |   |  |                                |
|---|---|--|--------------------------------|
| <input type="checkbox"/> Grid Code              | <input type="checkbox"/> BSC                              | <input type="checkbox"/> CUSC                | <input type="checkbox"/> SQSS  |
| <input type="checkbox"/> European Network Codes | <input type="checkbox"/> EBR Article 18 T&Cs <sup>1</sup> | <input type="checkbox"/> Other modifications | <input type="checkbox"/> Other |

No interactions or cross code impacts are applicable

### Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CACoP	Code Administration Code of Practice
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Guideline
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

<sup>1</sup> If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.



STCP	System Operator Transmission Owner Code Procedure
------	---

### Reference material

- None

### Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Legal Text
Annex 4	Workgroup Consultation responses and Summary
Annex 5	Workgroup vote

DRAFT