

## SQSS Modification Proposal Form

# GSR031: Introducing Competitively Appointed Transmission Owners & Transmission Service Providers

**Overview:** This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the SQSS to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.

## Modification process & timetable



**Status summary:** The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

**This modification is expected to have a: Medium impact**

NGESO, Transmission Owners and CATOs (by introducing CATO arrangements)

### Proposer's recommendation of governance route

Standard Governance modification with assessment by a Workgroup. We suggest this route because we would like the workgroup to check our rationale for the modification to the definition of Transmission System

### Who can I talk to about the change?

#### Proposer:

Stephen Baker & Gareth Stanley

[Stephen.Baker@nationalgrideso.com](mailto:Stephen.Baker@nationalgrideso.com) & [Gareth.Stanley@nationalgrideso.com](mailto:Gareth.Stanley@nationalgrideso.com)

07929 724347 & 07548 780508

#### Code Administrator Contact:

Jennifer Groome

[Jennifer.Groome@nationalgrideso.com](mailto:Jennifer.Groome@nationalgrideso.com)

07966 130854

## Contents

<b>Contents</b> .....	<b>2</b>
<b>What is the issue?</b> .....	<b>3</b>
Why change? .....	3
<b>What is the proposer’s solution?</b> .....	<b>4</b>
Draft legal text .....	4
<b>What is the impact of this change?</b> .....	<b>4</b>
Proposer’s assessment against SQSS Objectives .....	4
Proposer’s assessment of the impact of the modification on the stakeholder / consumer benefit categories .....	<b>Error! Bookmark not defined.</b>
<b>When will this change take place?</b> .....	<b>5</b>
Implementation date .....	5
Date decision required by .....	5
Implementation approach .....	<b>Error! Bookmark not defined.</b>
Proposer’s justification for governance route .....	<b>Error! Bookmark not defined.</b>
<b>Interactions</b> .....	<b>6</b>
<b>Acronyms, key terms and reference material</b> .....	<b>6</b>
Reference material .....	6

## What is the issue?

On 28 March 2022 Ofgem published its decision<sup>1</sup> to proceed with implementation of the Competition model for the UK's transmission network. This has been underpinned by the publication of the Energy Security Bill<sup>2</sup>, which makes provision to enable competitive tenders for delivery of onshore electricity network assets. The party who wins a competition is often referred to as a Competitively Appointed Transmission Owner (CATO). The Bill will introduce powers to enable the Secretary of State to appoint a body to run tenders and to set criteria to determine a network project's eligibility to be take part. It will also extend Ofgem's power to make regulations which will set out the process by which tenders will be run.

To allow onshore electric network competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant codes and standards. The introduction of competition affects the SQSS, Grid Code, CUSC and STC among others. NGENSO are proposing this modification in association with the modifications that will be progressed to the other GB Codes and frameworks during the period between Autumn 2022 and Autumn 2023.

## Why change?

For the UK to reach Net Zero by 2050 and achieve independence from imported fossil fuels the UK needs an extensive programme of development and investment in the electricity transmission network. As part of this green energy transition, NGENSO expect to see a doubling in electricity demand, driven in part by the electrification of heat and transport. This will require significant reinforcement and repurposing of the National Electricity Transmission System. The introduction of CATOs is aimed at contributing to this by introducing new parties to design, deliver and finance investment and to optimise delivery efficiency.

The Department for Business, Energy and Industrial Strategy indicate that, through the introduction of competition, consumers could see savings of up to £1 billion by 2050 on projects tendered over the next ten years. Ofgem has requested for NGENSO to plan how competition could be included within the process of designing, building and owning onshore transmission assets in the early stages of the project lifecycle, known as 'Early Competition'. NGENSO's Early Competition Plan (ECP) was published in April 2021.

Introducing the concept of CATOs to the relevant industry codes ensures the safe, secure and coordinated operation of the Transmission System by establishing both the obligations on CATOs and those entities interacting with CATO assets. The first phase of the Early Competition procurement process (the pre-tender) is set to commence in the first quarter of 2024, necessitating that the proposed modifications be raised and progressed in line with the Code Administrator proposed timetable.

Following the completion of a competitive tender, a CATO will be awarded a Transmission Licence and categorised as an Onshore Transmission Owner. CATOs will differ from incumbent TOs insofar as, for instance, they will consist of project companies funded through a Tender Revenue Stream to deliver a specific project based on network requirements. As a Licensed TO, CATOs will be subject to broadly the same obligations and frameworks as existing TOs.

---

<sup>1</sup> <https://www.ofgem.gov.uk/publications/decision-early-competition-onshore-electricity-transmission-networks>

<sup>2</sup> [Energy Security Bill - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/bills/2022/energy-security-bill)

## What is the proposer's solution?

The objective of this modification is to implement minimum changes to the SQSS to facilitate the introduction of CATOs. The changes listed below, which are non-exhaustive, are made on the assumption that a CATO will be granted a Transmission License and will be categorised as an Onshore Transmission Owner. Our initial assessment indicated that this would include introducing the Competitively Appointed Transmission Owner concept to the **SQSS Terms and Definitions**, in addition to other consequential changes including but not limited to changes to **Specifying the Standards that will apply to CATO assets in the respective incumbent TO areas**.

The list below covers the proposed high-level changes.

### Draft legal text

Legal text changes details are attached as a per Annex 1:

- Section 4- 6.4.6- Removed reference to “NGET’s transmission area” of NGET’s transmission system
  - Transmission area is not a SQSS defined term
- **Terms and Definitions:**
  - i. Add Competitively Appointed Transmission Owner definition
  - ii. Add definition of Onshore Interface Point
  - iii. Add CATOs to Onshore Transmission Licensee definition
  - iv. Add to definition of Transmission System, specifying requirements where a CATO connects to an existing TO with distinct standards as specified at points throughout the SQSS.

## What is the impact of this change?

### Proposer's assessment against SQSS Objectives

Relevant Objective	Identified impact
(i) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner;	<b>Positive</b> The introduction of these modifications will ensure that the development of CATO assets will be progressed safely and reliably in line with the standards specified in the SQSS
(ii) ensure an appropriate level of security and quality of supply and safe operation of the National Electricity Transmission System;	<b>Positive</b> Introducing the concept of CATO into the relevant industry codes establishes the obligations of CATOs and those entities interacting with the CATO assets, ensuring the safe, secure and coordinated operation of the System.
(iii) facilitate effective competition in the generation and supply of electricity, and (so	<b>Positive</b>

far as consistent therewith) facilitating such competition in the distribution of electricity; and	The proposed code changes allow us to create transparency and fairness for competition participants, which is a requirement to set Onshore Network Competition up for success
(iv) facilitate electricity Transmission Licensees to comply with any relevant obligations under EU law	<b>Neutral</b>

<b>Proposer’s assessment of the impact of the modification on the stakeholder / consumer benefit categories</b>	
<b>Stakeholder / consumer benefit categories</b>	<b>Identified impact</b>
Improved safety and reliability of the system	<b>Neutral</b>
Lower bills than would otherwise be the case	<b>Positive</b> Provide commercially efficient growth of the National Electricity Transmission System (NETS)
Benefits for society as a whole	<b>Positive</b> The introduction of competition to onshore electricity networks has a key role to play in improving efficiency in network investment and driving innovative solutions to network needs. These modifications will ensure that the development of CATO assets do not compromise safety and reliability standards
Reduced environmental damage	<b>Neutral</b>
Improved quality of service	<b>Neutral</b> Click or tap here to enter text.

**When will this change take place?**

**Implementation date**

Target date Q4 2023

**Date decision required by**

November 2023 in order to achieve implementation in time for receiving bids from Q1 2024.

Standard Governance Modification with assessment by a Workgroup

The Proposer has suggested this route because they would like the Workgroup to check their rationale for the modification to the definition of Transmission System.

## Interactions

Grid Code       BSC       STC       CUSC  
 European       Other       Other  
 Network Codes      modifications

The proposed code changes form part of the package of work to establish the frameworks for competition in onshore electricity networks, which has a key role to play in improving efficiency in network investment and driving innovative solutions to network needs, helping us meet our decarbonisation targets at the lowest cost to consumers.

Introducing the concept of CATO into the relevant industry codes establishes the obligations of CATOs and those entities interacting with the CATO assets, ensuring the safe, secure and coordinated operation of the System.

## Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CATO	Competitively Appointed Transmission Owner
STC	System Operator Transmission Owner Code
CUSC	Connection and Use of System Code
SQSS	Security and Quality of Supply Standards

### Reference material

- [Energy Security Bill](#)
- [BEIS Guidance Note: Energy Security Bill factsheet: Competition in onshore electricity networks](#)
- [NGESO Early Competition Plan final publication](#)
- [Ofgem's Decision on the development of early competition in onshore electricity transmission networks sets out the model of early competition and criteria for network project eligibility to be competed \(2022\)](#)