

Modification proposal:	<b>System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CM084 – Clarify STCP modification approach for cross-code changes (CM084)</b>		
Decision:	The Authority <sup>1</sup> directs this modification be made <sup>2</sup>		
Target audience:	National Grid ESO, Parties to the STC, bidders and prospective bidders to the offshore tender process and other interested parties		
Date of publication:	31/01/2023	Implementation date:	Ten working days after the Authority decision date

## Background

A cross-code change often requires a STC party to raise a code procedural change. This is not a change to the STC code but a change to the procedures that are subsidiary to the STC. STC procedural change (STC-PC) is how the code implements the STC in a practical way. This is done by setting out the rules and parameters that each STC party must follow in order to give the code effect.

Currently the STC-PC is usually raised after the implementation of the other code modification. The mis-alignment between implementation of the cross-code change and raising of the STC-PC can risk negative outcomes for STC participants.

This modification is seeking a solution to address the mis-alignment of STC-PCs by building on the arrangements for the STC Panel (the Panel) and STC Parties to consider the impacts and need of any necessary STC-PCs in a more timely fashion.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

## The modification proposal

CM084 (the proposal) was raised by National Grid Electricity Transmission (the Proposer) in June 2022. The purpose of the proposal is to improve the current arrangements for making STC-PCs by ensuring a timelier development and approval process is in place. This includes STC parties making timely representations to the Panel and where appropriate, Ofgem, on potential impact of cross-code changes requiring STC-PCs.

The Proposer's solution seeks to amend the governance rules to be more prescriptive in their interactions and timings to better consider STC-PCs stemming from cross-code modifications:

- The relevant STC Party identifies need for a consequential STC-PC resulting from a cross code change.
- The STC-PC should be developed without delay in collaboration with other STC Parties, with due consideration of material impacts, utilising joint-working as required.
- When the STC-PC proposal is fully developed, and where the change is considered by the STC Parties to be 'material'<sup>3</sup>, the STC Panel should be notified and their confirmation sought that the change is material.
- 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.
- STC parties to proceed based on the Authorities' steer where one is provided.

The Proposer said the proposal positively impacts STC Objectives (b)<sup>4</sup>, (d)<sup>5</sup> and (e)<sup>6</sup> with a neutral impact on the remaining STC Objectives.

The CM084 Workgroup (the Workgroup) discussed the Proposer's solution but considered that existing governance rules could be evolved to provide an efficient single solution focussing on:

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<sup>3</sup> A material change in this context means an amendment or addition that imposes new or adjusted obligations or liabilities or restrictions of a material nature on Relevant Parties (as defined in Section J of the STC) which cannot be reasonably considered as subsidiary to their existing rights and obligations of the Relevant Parties under the STC.

<sup>4</sup> Applicable STC Objective (b): development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission.

<sup>5</sup> Applicable STC Objective 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.

<sup>6</sup> Applicable STC Objective (e): promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.

- Timeliness of developing of proposals
- Consideration of Materiality
- The role of STC Parties and the Code Administrator.

The Proposer agreed with the Workgroup on this approach to proceed.

The Workgroup concluded unanimously that CM084 better facilitated the Applicable Objectives than the current baseline code text.

The code administrator consultation yielded two responses. Both were supportive of CM084 and considered it to better facilitate the STC Objectives.

### **STC Modification Panel<sup>7</sup> recommendation**

The Panel considered the draft Final Modification Report (FMR) at a meeting on 30 November 2022. The Panel considered that CM084 would better facilitate the STC Objectives and the Panel therefore unanimously recommended its approval. The Panel considered that CM084 positively impacted STC Objective (e).

### **Our decision**

We have considered the issues raised by the proposal and the FMR. We have considered and taken into account the consultee responses of the STC Parties included in the FMR. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable STC Objectives;<sup>8</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>9</sup>

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<sup>7</sup> The Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

<sup>8</sup> The Applicable STC Objectives are set out in Standard Licence Condition B12 (3) (a) to (g) of the Transmission Licence.

<sup>9</sup> The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

## **Reasons for our decision**

We consider this modification proposal to better facilitate STC Objective (e) with a neutral impact on the other applicable objectives.

### ***(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;***

We agree with the Panel and the Proposer that CM084 positively impacts this objective in promoting good practice and efficiency in the administration of the STC. By placing a code obligation on parties to consider and, if appropriate, notify the Panel that a STC-PC is required in a timely fashion, this change ensures that the procedural change is developed in good time so as to align with the expected cross-code change. The proposed change will make the governance rules clearer and provide transparency to STC parties and the Panel on how to progress STC-PCs to ensure that they are i) duly considered to meet STC requirements and ii) delivered in a timely manner.

We note the consultee comment that the STC already contains provision to address cross-code working. Nevertheless, we believe that any increment to advance transparency and efficiency in the STC is important to aid STC party and wider industry understanding of the code.

## **Decision notice**

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority hereby directs that modification proposal CM084: 'Clarify STCP modification approach for cross-code changes' be made.

**David O'Neill**

**Head of Industry Codes**

Signed on behalf of the Authority and authorised for that purpose.