

Workgroup Consultation

GSR031: Introducing Competitively Appointed Transmission Owners

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



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 are seeking your views on the work completed to date to form the final solution(s) to the issue raised.

This modification is expected to have a: Medium impact: NGESO, Transmission Owners and potential CATO parties (by introducing CATO arrangements)

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
 07929 724347 &
Gareth.Stanley@nationalgrideso.com
 07548 780508

Code Administrator Chair:

Catia Gomes
Catia.gomes@nationalgrideso.com
 07843816580

How do I respond?

Send your response proforma to box.sgss@nationalgrideso.com by **5pm on 10 March 2023**

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Executive summary

What is the issue?

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.

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

Proposer's solution: The objective of this modification is to implement minimum change to the SQSS Code to facilitate the introduction of CATOs. The approach taken is to extend existing relevant Onshore TO provisions as far as appropriate, reflecting Ofgem's expected licencing regime.

Implementation date: Q4 2023 (October to December)

What is the impact if this change is made?

The introduction of the CATO concept will impact NGENSO, Transmission Owners and CATOs (by introducing CATO arrangements) and users.

Interactions

There are likely to be consequential changes for the other electricity industry codes such as [Grid Code \(GC0159\)](#), [CUSC \(CMP403 and CMP404\)](#), BSC and STC ([CM086](#) and [CM087](#))

What is the issue?

On 28 March 2022 Ofgem published its decision¹ 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 Bill², 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. NGESO 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, NGESO 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 NGESO 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'. NGESO'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

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

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

requirements. As a Licensed TO, CATOs will be subject to broadly the same obligations and frameworks as existing TOs.

What is the solution?

Proposer's solution

The objective of this modification is to implement minimum changes to the SQSS to facilitate the introduction of CATOs. The changes, which are non-exhaustive, are made on the assumption that a CATO will be granted a Transmission Licence 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**.

This will be achieved through the proposed high-level changes to the SQSS legal text.

Workgroup considerations

The Workgroup convened 3 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.

Consideration of the proposer's solution

The Proposer took the Workgroup through the background and the aim of the modification to introduce the concept of Competitively Appointed Transmission Owners (CATOs) for the purposes of introducing Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.

- A Workgroup Member queried where the involvement of Transmission Service Providers was within the Modification, the Proposer confirmed that the Modification focused on CATOs not Transmission Service Providers. – Request sent to Panel on 25 January 2023 to alter the modification title from “GSR031: Introducing Competitively Appointed Transmission Owners & Transmission Service Providers” to “GSR031: Introducing Competitively Appointed Transmission Owners.

The proposer stated that the modification aims to implement minimal changes to the SQSS legal text, and the Workgroup was broadly supportive of the proposed changes that included:

- Adding the definition of “Competitively Appointed Transmission Owner”;
- Amending the definition of “Onshore Transmission Licensee” to include CATO; and
- Adding a clause for where CATOs interface with more than one TO, with the higher standard being determined within the tendering process.
 - 9 examples have been identified within the SQSS regarding difference between connecting to more than one TO which the Proposer believes are resolved with their proposed legal text alongside the existing geographically defined threshold classifications

The Workgroup discussed the draft legal text and asked for further clarification on the following:

- Terminology used to describe the Onshore Transmission Licensee, as there was concern that were it amended to say ‘person or company’ instead of stipulating the individual Transmission Licensee there could be unintended consequences.
- Whether a new clause (where a CATO interfaces with more than one Transmission Licensee) was required to provide clarity to new entrants or whether it would sit better under the existing 1.23 clause (overlap of criteria)
- There was a similar debate around the necessity for a separate new clause (where a CATO transmission system connects to a single Transmission Licensee) as the Proposer believed that it provided clarity for new entrants.

The Workgroup agreed that rather than having stand-alone clauses outlining the CATO interfaces with Transmission Licensees, it would be simpler for industry for this information to be included throughout the existing legal text.

Draft legal text

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

Section 11 Terms and Definitions

- Insert definition for “Competitively Appointed Transmission Owner (CATO)”
- Add to definition for Double Overhead Circuit Line-
“In the case of a CATO this is a transmission line which will be defined on the transmission area in which it is located.”
- Add text to definitions for Small, Medium and Large Power Station, specifying the thresholds that will apply to power stations connected to CATOs. Defined by the transmission area in which they are located.
- Add” CATO” to definition of Onshore Transmission Licensee

Main Body

- 2.10.3 & 4.6.4
 - Add “area” after NGET’s transmission area and SHET’s transmission system
 - Insert “or” between NGET’s transmission system area and SHET’s transmission system area
- 3.2
 - Add “area” after NGET’s transmission system
- 5.4.1, 5.4.2, 5.4.3 & 5.4.4
 - Add “area” after NGET’s transmission system

What is the impact of this change?

Proposer's assessment against Code Objectives

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;	Positive 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;	Positive 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 far as consistent therewith) facilitating such competition in the distribution of electricity; and	Positive 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	Neutral

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	Neutral
Lower bills than would otherwise be the case	Positive Provide commercially efficient growth of the National Electricity Transmission System (NETS)
Benefits for society as a whole	Positive 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	Neutral
Improved quality of service	Neutral

Standard Workgroup consultation question: Do you believe that GSR031 Original proposal better facilitates the Applicable Objectives?

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.

Implementation approach

No systems or processes will be required to change as a result of this modification.

Standard Workgroup consultation question: Do you support the implementation approach?

Interactions

- | | | | |
|---|---|--|--|
| <input checked="" type="checkbox"/> Grid Code | <input checked="" type="checkbox"/> BSC | <input checked="" type="checkbox"/> STC | <input checked="" type="checkbox"/> CUSC |
| <input type="checkbox"/> European Network Codes | <input type="checkbox"/> EBR Article 18 T&Cs ³ | <input type="checkbox"/> Other modifications | <input type="checkbox"/> Other |

How to respond

Standard Workgroup consultation questions

1. Do you believe that GSR031 Original proposal better facilitates the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?

The Workgroup is seeking the views of SQSS Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to box.sqss@nationalgrideso.com using the response proforma which can be found on the [GSR031modification page](#).

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CATO	Competitively Appointed Transmission Owner
CMP	CUSC Modification Proposal

³ 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.



CUSC	Connection and Use of System Code
EBR	Electricity Balancing Guideline
GC	Grid Code
Q1	Quarter 1 (January to March)
Q4	Quarter 4 (October to December)
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions

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 \(2022\)](#)

Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Legal Text
Annex 4	What is a CATO