

Workgroup Report

CM079: Consideration of STC/STCP changes in relation to CMP330/374

Overview: This modification will consider the proposals being discussed in CMP330/374 and CMP414 for how these might lead to STC or STC Procedures to ensure any consequential changes are proportionate

Modification process & timetable



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

Have 30 minutes? Read the full [Workgroup Report](#)

Have 240 minutes? Read the full Workgroup Report and Annexes.

Status summary: The Workgroup have finalised the Proposer's solution, with no alternative solutions having been raised. 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:

High impact – Onshore Transmission Owners

Low impact – ESO

Governance route	Standard Governance modification with assessment by a Workgroup	
Who can I talk to about the change?	Proposer: Richard Woodward Richard.Woodward@nationalgrid.com 07964 541743	Code Administrator Chair: Elana Byrne Elana.Byrne@nationalgrideso.com 07749 576706

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Executive summary

What is the issue?

CUSC modification proposals [CMP330/CMP374 \(Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections\)](#) and [CMP414 \(CMP330/CMP374 Consequential Modification\)](#) have been developed and Final Modification Reports submitted for their Authority decisions. The core of these proposals seeks to extend the range of transmission assets which can be built 'contestably' by third parties (i.e., a 'User' as defined by CUSC). Currently this right relates to User connection equipment, 'Connection Assets' and the User's own Plant and Equipment. These CUSC proposals seek to extend this right to incorporate infrastructure assets which are not shared, or are not expected to be shared, with the Onshore Transmission Owner adopting these assets on completion of the build. If these modifications were to be approved by the Authority, the STC would need to be amended to ensure alignment.

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

Proposer's solution: Identify changes required in the STC and/or STCPs to align with the proposed CUSC changes and assess the impact of those changes for the Authority to consider. N.B. any STCP changes identified would then be raised as a separate modification.

Implementation date: At the same time as the associated CUSC modification proposals as a comprehensive package of change.

Summary of alternative solution(s) and implementation date(s):

No alternative solutions have been raised.

Workgroup conclusions: The Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline (see Annex 6).

What is the impact if this change is made?

This modification would have a high impact on Onshore Transmission Owners. This is due to the increased administrative burden as a result of the CUSC changes incorporating contestability to include more assets of greater complexity than the Baseline. This will require stronger vigilance to ensure system security and supply are not impacted. It will also require consideration and management of the interactions between the future contestable build of infrastructure assets by Users and the TO's own portfolio of wider network investment. There could also be licence changes required as a result of this modification and CUSC modifications CMP330/CMP374 and CMP414.

Interactions

This modification has a direct interaction with the following CUSC Modifications and regulatory mechanisms:

- [CMP330&CMP374: Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections](#)
- [CMP414: "CMP330/CMP374 Consequential Modification"](#)
- Transmission Licence (i.e. the impact of contestability on licenced timescales and delivery of licence obligations)



- Price Control (i.e. discussion as to the funding of costs incurred when a TO would be compelled to intervene if an asset is not delivered to standard)

Any new STCP modifications, or modifications for STCP changes, will be raised separately to CM079.

What is the issue?

CUSC modification proposals [CMP330/374 \(Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections\)](#) & [CMP414 \(CMP330/CMP374 Consequential Modification\)](#) have been developed by Workgroups and Final Modification Reports have been submitted for their Authority decisions.

The core of these proposals seeks to extend the range of transmission assets which can be built 'contestably' by a third party (a 'User' as defined by CUSC).

Currently this right relates to User connection equipment ('Connection Assets') and the User's own Plant and Equipment. The CUSC proposals seek to extend this right to incorporate infrastructure assets which are not shared, or are not expected to be shared, with the Onshore Transmission Owner adopting these assets on completion of build.

Why change?

Should these CUSC modifications be approved by the Authority, connections processes between the Onshore TOs and ESO, as specified in the STC and associated STC Procedures, will need to be modified to ensure alignment. Therefore, this proposal seeks to ensure that the STC/STCP changes are considered by the Authority in parallel to those in CUSC.

What is the solution?

Proposer's solution

- Undertake a collaborative code mapping exercise with relevant STC parties, to consider a suite of proportionate changes to STC/STCP resulting from the proposed CUSC changes (including the Workgroup Alternative CUSC Modification (WACM) as required).
- Carry out a quantitative impact assessment of the CUSC and STC proposals from a networks perspective to help the Authority consider their decision for this package of change.

Workgroup considerations

The Workgroup convened 3 times in 2022 to discuss the Proposer's issue, detail the full scope of the identified defect, devise potential solutions and assess the Proposal in terms of the Applicable Code Objectives. The Workgroup process was paused in March 2022 and reconvened a further 5 times in 2023 to take into consideration the updated solution for CMP330/374 and CMP414.

The Workgroup consisted of relevant industry stakeholders (see Annex 7 – *ref: ToR c*).

The Workgroup held their Workgroup Consultation between 19 July 2023 – 09 August 2023 and received 3 responses. The full responses and a summary of the responses can be found Annex 5.

Consideration of the Proposer's solution

The Proposer and Workgroup developed a solution map (Annex 3 – ref: ToR a) which identified the TO and ESO interactions, and key changes that would be required to the STC/STCPs if the proposed solution for CMP330/CMP374 and CMP414 is approved by the Authority.

Main topics discussed by the Workgroups:

Offer/Application processes (Section D Part Two, Schedule 5 & Schedule 6) & Application Fees (STCP19-6)

The CUSC solution for CMP330/CMP374 and CMP414 only requires that contestable options are included in offers once this can be fully specified between User, ESO and TO. This removes the need for 'dual offers' (i.e., two offers produced for contestable and non-contestable options), or for initial offers to fully specify the scope of contestable works. The consequence for the STC was therefore to ensure that any relevant data received by the ESO from the User when they applied was passed on to the relevant TO(s) in the Scheme Briefing Note.

In respect of Application Fees, the Workgroup debated whether Fixed Fees may need to be adjusted for 'contestable variants'. It had been discussed in Workgroups 1-3 that an option could be to ringfence the cost of doing a contestable application in a separate indicative Fixed Fee type rather than dilute the other sets of Application Fees. This would need to be amended separately to CM079 in the STCP19-6 *Application refresh template*. A Workgroup member noted that this would also impact the TO's charging statements (as noted on the solution map in Annex 3).

In these early Workgroup discussions, the Authority representative questioned if the Workgroup could quantify the envisaged change in the value of Application Fee charges from introducing the changed contestable works process. The Proposer outlined that the benefit of the current Application Fee charging approach is that customers could nominate a variable fee to ensure a cost reflective charge. The Proposer added that until there was an actual data on the cost deltas for incorporating Contestable Assets within existing offer processes it would be difficult to estimate in advance.

In Workgroup 4, it was agreed by the Onshore TO representatives that they would monitor any impact on Application Fees post-implementation, making changes as outlined above as 'business as usual' if Fixed Fees were felt to be no longer fit-for-purpose after implementing the CUSC contestability changes (if approved). The ESO would also consider their position on changing charging statements accordingly as separate to CM079.

Intervention criteria and the processes for intervention (Section D Part Two)

The Proposer outlined the need to fully align the criteria and processes for intervention between the CUSC and STC to reasonably prevent Users from building (or continuing to build) Contestable Assets when necessary.

Where it was felt the STC needs to elaborate beyond the CUSC process is to define when/how the ESO and/or relevant TOs initiate interventions (including pre-emptive interventions and financial implications) and what happens when the parties disagree (see

disputes section below). This level of codified support for the TOs was met with agreement by the Workgroup.

The Proposer suggested legal text wording to reflect a TO's 'right' to intervene if necessary (rather than requesting 'agreement' to intervene), requiring confirmation in writing and in a timely manner notifying the ESO of the TO's actions. Similarly, the Proposer suggested that confirmation in writing, in a timely manner, be featured as a requirement in the legal text in reference to exhibiting 'reasonable endeavours' when managing Adoption Agreements.

Along with changes in STC Section D Part Two, if a new/amended STCP is deemed necessary by the Proposer or Workgroup it can be progressed separately to CM079.

The Workgroup agreed with the Proposer's suggestion to replicate the legal text covering the intervention process from the CUSC into the STC and enhance coordination between STC parties to facilitate this process. Additional comments supporting the changes made in Section D can be found in Annex 8.

Adoption Agreement principles and process (Section D Part Two)

As a result of the conversations on defining contestability and clarifying intervention criteria and dispute resolution (as per the proposed CUSC solution), the Workgroup agreed with the Proposer to also mirror the principles and processes for negotiating effective Adoption Agreements.

The Workgroup agreed by consensus that the processes to initiate negotiation of Adoption Agreements should not be codified as Users are not bound by the terms of the STC, and that these processes occurred under the Baseline without STC obligations.

Disputes (Section H)

The Workgroup acknowledged the need for clarity in the STC for the ESO to facilitate disputes with TOs for specific areas of the end-to-end process, as the proposed CUSC solution could increase the potential for disputes compared to the baseline (if approved).

The Workgroup briefly discussed defining a distinct dispute type for Contestable Assets, to cover disputes related to the end-to-end process, and particularly intervention or disagreements on the Adoption Agreement principles. The Proposer instead opted for a minor amendment to existing Section H provisions to accommodate a specific dispute for where ESO and the relevant Onshore TO disagree on intervention. Other potential forms of dispute which might arise were considered by ESO and it was deemed that they will be required to be dealt with on an individual basis as they arise, according to specifics of the case.

During the Workgroup meetings it was agreed that in the unlikely event a User raises a CUSC dispute in relation to the Adoption Agreement principles (via CUSC dispute resolution processes), the ESO would facilitate a conversation between the TO and the User to find a way forward. In the event of a dispute arising in relation to the alignment of terms offered to a User and the Adoption Agreement principles, the STC would need to enable coordination between ESO and relevant Onshore TO to resolve the issue. Due to the ESO being obligated to the CUSC and STC, but not party to the Adoption Agreement (which is between the User and TO only), the STC is needed to manage the risk of disputes as a result of contestability.

An ESO representative referenced the discussion with the Authority in 2022, relating to the associated CUSC modifications, that outlined how disputes between a User and TO will be referred to the Authority, rather than the ESO, for independent arbitration.

Wider regulatory impacts (Price Control/Licence provisions)

The Proposer flagged that code processes in the CUSC and STC accommodating the revised contestability provision will not be able to sufficiently cover situations where things go wrong with Contestable Asset delivery and resulting in material impacts on TOs, or other Users, or end consumers.

In those situations, the TO would be expected to intervene to take on delivery of works instead of the User. The TO would potentially be incurring greater cost to do so, in comparison to the cost had the TO completed the work to begin with, or had the User completed the scope of contestable work as agreed. Any unforeseen cost increases that could arise would lead to the TO incurring regulatory financial penalties through no fault of their own. Additionally, any delays which result from the TO intervening to rectify non-delivery could impact future Users (e.g., project delays), which may lead to further penalties for the TO.

The Onshore TO representatives in the Workgroup therefore agreed unanimously that this situation presented an unquantifiable risk which needed to be mitigated through regulatory mechanisms under the Authority's supervision. This should include all regulatory mechanisms overseeing asset delivery considerations (not just related to contestable works) given the inevitable interactions e.g., incentive arrangements. Following the Authority representative attending a Workgroup, arrangements were made for the TOs to engage with the Authority specifically on this as a consideration ahead of implementing the CUSC-STC package (as this is not within the remit of the CM079 solution).

Definitions (Section J)

The Proposer stated that the STC currently does not consider contestability at all currently (e.g., including the baseline definition of contestable works). The Proposer believed the STC would therefore need to be modified to define it in a proportionate manner to support the facilitation of the proposed CUSC solution.

It was agreed amongst the Workgroup that consistency with wording in the CUSC would be important. The Workgroup therefore agreed with the Proposer that the proposed STC definitions for "Contestable Asset(s)," and "Adoption Agreement" would be sufficient.

Feasibility Study (STCP17-1)

It was agreed by the Workgroup that as these processes were discretionary for Users to opt into (via the ESO), and the scope of Feasibility Studies could be agreed bilaterally already, that there were minimal consequences in respect of STC processes for this item. It was agreed by the Workgroup that no changes were needed so the item was removed from the solution map.

Implementation

The TO Workgroup members suggested that consideration was needed by the Authority of the different elements involved in practically implementing the proposed changes (and therefore the timelines for implementation). They mentioned the time required for TOs (and

potentially the ESO) to accommodate and address the proposed STC changes as a new internal process, as well as the regulatory matters that have arisen during Workgroup discussion (e.g., Price Control and potential licence changes). In their view this should be understood ahead of implementation. No objections were raised by other Workgroup members.

Other suggested elements for consideration in implementation (e.g. consequential impacts on the RIIO framework from Price Control and licence change discussions and ESO-TO role clarification) were referenced in the responses to the Workgroup Consultation. Conversations have begun between TO Workgroup members and the Authority on these matters for consideration re: implementation, but are not within the remit of CM079 to address in its solution.

Other options

No alternative options were raised from the Workgroup.

Workgroup consultation summary

The full Workgroup Consultation responses and a summary file are included in Annex 5.

Out of the three consultation responses received, two were from TOs and one was a generator/supplier:

- The TO Respondents were supportive of/neutral to the STC (& possible STCP) solution for CM079, with the changes seen to alleviate risks from contestability. However, they did not believe that the Original Proposal *better* facilitated the Applicable Objectives. These Respondents expressed their concerns related to impacts from the associated CUSC modifications, but the CM079 solution would not be responsible for these (*ref: ToR d*).
- There was concern from these Respondents over the increased ambiguity or uncertainty of the relationship between the ESO and TOs across the course of a contestable works project (such as disputes). One Respondent noted that that there would be a negative impact on objective e (promoting good industry practice, efficiency & implementation of the STC). The legal text drafted has looked to mitigate this as far as the STC allows.
- The TO Respondents specified the need to discuss possible changes to licence provisions and the use of Price Control (re: covering intervention costs) with the Authority, which one Respondent referenced should include the consequential impact on the RIIO framework. Respondents noted that such factors (also including consideration of any STCP modifications required) should be considered as part of an extended implementation timeframe. The Workgroup consulted with the Authority representative to arrange further discussions as to the licence provisions and Price Control specifically (*ref: ToR e*).
- The generator/supplier Respondent felt the solution would better impact three of the Applicable Objectives. The Respondent didn't provide commentary to this as part of their original consultation response, but as it posed a different viewpoint to other responses, the Workgroup requested that the Chair ask the

Respondent for comments to explain their choices. The Respondent was happy to do so, and these have been included in their response documentation as supplementary comments received post consultation.

- This Respondent saw the solution as promoting competition and contestability in connection works. They felt that the party that pays should be able to choose a delivery method, rather than accept an assumption that TOs are the best option to do this. The Respondent expressed that Users should not be obligated to the costs and speed of delivery a TO would provide and questioned the TOs' resource availability to deliver the scale of work required into the future.
- There were no actionable points for the CM079 solution as a result of this response.

Legal text

The legal text for this change can be found in Annex 4.

- Schedule 5, 6
- Section D (pt 2), H and J

Additional comments supporting the changes in Section D can be found in Annex 8.

Any potential new STCP modification/STCP changes can be raised separately if necessary.

What is the impact of this change?

Proposer's assessment against Code Objectives

The following was discussed and the Workgroup did not object to this as the impact assessment of the modification (*ref: ToR b*):

Proposer's assessment against STC Objectives	
Relevant Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	<p>Neutral*</p> <p>The associated CUSC proposals introduce the potential for increased risk of inefficiency, but the proposed STC changes have minimal impact in isolation.</p> <p><i>* this could be 'negative' if satisfactory resolutions are not found for the wider regulatory issues prior to implementation - as</i></p>

	<i>highlighted elsewhere in the report.</i>
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	<p>Neutral</p> <p>The associated CUSC proposals introduce the potential for increased risk of inefficiency, but the proposed STC changes have minimal impact in isolation.</p>
(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	<p>Neutral</p> <p>The associated CUSC proposals introduce the potential for increased risk and inefficiency, but the proposed STC changes have minimal impact in isolation.</p>
(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	<p>Neutral</p> <p>The associated CUSC proposals introduce the potential for increased risk and inefficiency, but the proposed STC changes have minimal impact in isolation.</p>
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC	<p>Negative</p> <p>The proposed STC changes (reflecting the associated CUSC proposal) will lead to ambiguity in role accountabilities between Onshore TOs and ESO for certain contestability processes set out in CUSC or STC.</p>
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	<p>Neutral</p> <p>It is unclear at this stage.</p>

(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	Neutral N/A
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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	Negative When considering the package of changes across CUSC and STC, there is increased risk that allowing 3rd parties to construct/deliver infrastructure assets may lead to negative network safety outcomes.
Lower bills than would otherwise be the case	Neutral When considering the package of changes across CUSC and STC, the intent of the CUSC proposal is to provide additional options to deliver some transmission network investment quicker and cheaper than might have otherwise been possible under the baseline. Whether this is ultimately the case if the modifications were to be approved - or that end consumers would benefit (as opposed to individual Users) - is ultimately unclear. It is important to note that Users are commercially motivated/incentivised much differently than an Onshore TO to undertake delivery of infrastructure assets. Where Users fail to deliver assets as agreed, and the TO is required to intervene, there could be negative cost impacts for TOs and end consumers.
Benefits for society as a whole	Neutral No societal benefits have been mentioned in relation to the corresponding CUSC proposals. The STC proposals do not have any obvious societal benefit.
Reduced environmental damage	Neutral When considering the package of changes across CUSC and STC, there is an underlying risk that Users may prioritise the needs of their own projects when delivering Contestable Assets, which may undermine environmental obligations or lead to low-cost solutions being favoured over sustainable solutions which would have been deployed by an Onshore TO. There is an increased risk of stranded assets where Onshore TOs refuse to adopt assets not built to agreed specifications, which could have negative environmental impacts. Ultimately the extent of these risks cannot be accurately foreseen.

Improved quality of service	<p>Neutral</p> <p>When considering the package of changes across CUSC and STC, at best these proposals should speed up connection times for specific Users. However, this benefit is unsubstantiated at this stage.</p> <p>There is a high likelihood for increased administrative burden for the network companies to facilitate this, especially when considering the increased risk of contract disputes.</p>
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Workgroup vote

The Workgroup met on 8 September 2023 to carry out their Workgroup vote. The full Workgroup vote can be found in Annex 6. 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

- efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act
- development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission
- facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity
- 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
- promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.
- facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;
- 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 (Annex 6).

Option	Number of voters that voted this option as better than the Baseline
Original	5

When will this change take place?

Implementation date

At the same time as the associated CUSC modification proposals – as a comprehensive package of change.

Date decision required by

At the same time as the associated CUSC modification proposals – as a comprehensive package of change.

Implementation approach

In accordance with the approach set out in the associated CUSC modification proposals.

Interactions

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

Acronyms, key terms and reference material:

Acronym / key term	Meaning
ATOCO	Affected Transmission Owner Construction Offer
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator
NCER	Network Code on Electricity Emergency & Restoration
RIIO	Revenue = Incentives + Innovation + Outputs
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
STCP	System Operator Transmission Owner Code Procedure
T&Cs	Terms and Conditions
TO	Transmission Owner
ToR	Term of Reference
WACM	Workgroup Alternative CUSC Modification

Reference material

- CMP330 proposal form - <https://www.nationalgrideso.com/document/158561/download>
- CMP374 proposal form - <https://www.nationalgrideso.com/document/205106/download>
- CMP330/374 Code Administrator Consultation and Annexes - <https://www.nationalgrideso.com/document/281026/download>
- CMP414 proposal document & annexes- <https://www.nationalgrideso.com/document/279166/download>
<https://www.nationalgrideso.com/document/279171/download>

¹ 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.

Annexes

Annex	Information
Annex 1	CM079 Proposal form
Annex 2	CM079 Terms of reference
Annex 3	CM079 Solution map
Annex 4	CM079 Legal text
Annex 5	CM079 Workgroup Consultation responses & summary
Annex 6	CM079 Workgroup vote
Annex 7	CM079 Workgroup membership
Annex 8	CM079 Section D legal text featuring supporting comments