

STCP Modification Proposal Form		
<h1 style="margin: 0;">PM0134: Introducing Competitively Appointed Transmission Owners &amp; Transmission Service Providers</h1> <p><b>Overview:</b> This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the STCPs to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.</p>	<h3 style="margin: 0;">Modification process &amp; timetable</h3> <div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="background-color: #f4a460; padding: 5px; margin-right: 10px;">1</div> <div style="border: 1px solid #f4a460; padding: 5px; background-color: #f4a460; color: white;"> <b>Initial STCP Proposal</b> 27 November 2023                 </div> </div> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="background-color: #f4a460; padding: 5px; margin-right: 10px;">2</div> <div style="border: 1px solid #f4a460; padding: 5px;"> <b>Approved STCP Proposal</b> 13 December 2023                 </div> </div> <div style="display: flex; align-items: center;"> <div style="background-color: #f4a460; padding: 5px; margin-right: 10px;">3</div> <div style="border: 1px solid #f4a460; padding: 5px;"> <b>Implementation</b> 10WD after Authority Decision                 </div> </div> </div>	
<p><b>Status summary:</b> The Proposer has raised a modification and is seeking a decision from the Panel on whether the modification should be implemented.</p>		
<p><b>This modification is expected to have a: Low impact</b></p> <p>Through the introduction of CATO arrangements, CATOs will become additional Transmission Owners (TOs) whose assets will add to the National Electricity Transmission System (NETS). CATOs will work alongside the ESO and Pre-existing Transmission Owners (PTOs).</p>		
<p><b>Proposer’s assessment of materiality</b></p>	<p>Not a material change as this modification seeks only to introduce the concept of CATOs.</p>	
<p><b>Who can I talk to about the change?</b></p>	<p><b>Proposer:</b> Alana Collis-Dugmore &amp; Stephen Baker</p> <p><a href="mailto:alana.collis-dugmore@nationalgrideso.com">alana.collis-dugmore@nationalgrideso.com</a> / <a href="mailto:Stephen.Baker@nationalgrideso.com">Stephen.Baker@nationalgrideso.com</a></p> <p>07843 804628 / 07929 724347</p>	<p><b>Code Administrator Contact:</b></p> <p>Deborah Spencer</p> <p><a href="mailto:Deborah.spencer@nationalgrideso.com">Deborah.spencer@nationalgrideso.com</a></p> <p>07752 466421</p>

**Contents**

**Contents** ..... **2**

**What is the issue?** ..... **3**

    Why change? ..... 3

**What is the proposer’s solution?** ..... **3**

    Legal text..... 3

**What is the impact of this change?** ..... **3**

    Proposer’s assessment against STC Objectives ..... 3

    Proposer’s assessment against the STCP change requirements ..... 4

**When will this change take place?** ..... **54**

    Implementation date ..... **54**

    Implementation approach ..... **54**

**Interactions**..... **65**

**Panel Determination** ..... **65**

**Acronyms, key terms and reference material**..... **65**

    Reference material ..... **75**

**What is the issue?**

The [Energy Act 2023](#) received Royal Assent on the 26 October 2023, and makes provision to enable competitive tenders for delivery of onshore electricity network assets.

To allow onshore electricity network competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles are required to be embedded within the relevant codes and standards. This modification introduces the concept of CATO into the STC Procedures.

**Why change?**

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 and CATOs themselves. The first competition is due to be announced and competition commenced in late 2024. This necessitates 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.

**What is the proposer’s solution?**

The objective of this modification is to make consequential changes and additions to Procedures resulting from [CM086](#), which introduces the concept of CATO throughout the STC.

This modification is the first of two proposed modifications to the STCPs as part of the work being done to implement Onshore Network Competition. The second modification seeks to determine a process for establishing the PTO-CATO interface.

The subject of modification PM0136 is out of scope of this first modification, although both will be presented to Ofgem simultaneously.

The changes listed below, which are non-exhaustive, are being made on the assumption that a CATO will be granted a Transmission Licence and will be categorised as an Onshore Transmission Owner.

The list below covers the proposed high-level changes.

**Legal text**

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

Clerical changes to the suite of STCPs are being made as part of the work to introduce the concept of CATO.

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

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	<b>Positive</b> The proposed modification ensures that commercial

	and technical obligations of CATOs, as transmission licensees, are clearly established.
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	<b>Positive</b> The proposed modification facilitates introduction of Competitively Appointed Transmission assets deemed necessary for required expansion and reinforcement of the NETS.
(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>Positive</b> Network Competition will introduce CATOs as part of the NETS through a Competitive procurement process
(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>Neutral</b>
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC	<b>Neutral</b>
(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>

Proposer's assessment against the STCP change requirements <sup>1</sup>	Proposer's assessment
(a) the amendment or addition does not impair, frustrate or invalidate the provisions of the Code	Requirement met
(b) the amendment or addition does not impose new obligations or liabilities or restrictions of a material nature on Relevant Parties which are not subsidiary to	Requirement met

<sup>1</sup> STCP changes may only be made if they meet the requirements in Section B, 7.3.2

the rights and obligations of the Relevant Parties under the Code	
(c) the amendment or addition is not inconsistent or in conflict with the Code, Transmission Licence Conditions or other relevant statutory requirements	Requirement met
(d) the Relevant Party Representatives deem that the amendment or addition is appropriate to support compliance with the Code	Requirement met

**When will this change take place?**

**Implementation date**

Anticipated 10 working days after authority Decision. This will be part of a group of CATO modifications (expected Quarter 2 (April - June) 2024)

**Implementation approach**

This modification contains material changes and will be submitted to Ofgem along with the other CATO modifications.

**Interactions**

- Grid Code
- European Network Codes
- BSC modifications
- Other modifications
- CUSC
- Other
- SQSS

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.

The ESO have proposed this modification in association with modifications [CM086](#), [CM087](#), PM0136, [GC0159](#), [CMP403](#), [CMP404](#) and [GSR031](#). Initial engagement with Elexon indicated no consequential changes to BSC but engagement ongoing to ensure any potential changes are identified.

**Panel Determination**

Party	Determination
<b>National Grid (ESO)</b>	To be updated following Panel determination
<b>National Grid (NGET)</b>	To be updated following Panel determination
<b>Offshore Transmission Owners (OFTOs)</b>	To be updated following Panel determination
<b>Scottish Hydro Electric Transmission plc (SHET)</b>	To be updated following Panel determination
<b>SP Transmission Limited (SPT)</b>	To be updated following Panel determination

**Acronyms, key terms and reference material**

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CATO	Competitively Appointed Transmission Owner
CUSC	Connection and Use of System Code
NETS	National Electricity Transmission System
PM	Procedure Modification
PTO	Pre-existing Transmission Owner
STC	System Operator Transmission Owner Code
STCP	System Operator Transmission Owner Code Procedure
SQSS	Security and Quality of Supply Standards

TO	Transmission Owner
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## Reference material

- [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 \(2022\)](#)
- [Energy Act 2023](#)

## Annexes

Annex	Information
Annex 1	Legal text