
Grid Code (GC) GC0159: Introducing Competitively Appointed Transmission Owners GC0159

Decision: The Authority¹ directs² that the proposed modification to the Grid Code be made

Target audience: National Energy System Operator (NESO), the Grid Code Review Panel, Grid Code users and other interested parties

Date of publication: 25 March 2025

Implementation date: 10 working days after The Authority Decision

Background

On 28 March 2022 Ofgem published its decision³ to proceed with implementation of the Early Competition model in onshore electricity transmission. This has been underpinned by the publication of the Energy Security Bill, introduced to Parliament on 6 July 2022 (the Energy Bill was given Royal Assent on 26 October 2023 becoming the 'Energy Act 2023' (the 'Act'))⁴ which makes provision to enable competitive tenders for delivery of onshore electricity network assets. The Act introduces primary legislation required to allow for the competitive tendering of onshore electricity transmission projects. It extends Ofgem's power to make regulations to set out the process by which tenders will be run.⁵ Following this, the Criteria Regulations⁶ set the requirements to determine the competition eligibility for a network project.

To allow onshore Early Competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant industry codes. This modification is proposed to

¹ 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.

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

³ [Decision on early competition in onshore electricity transmission networks | Ofgem](#)

⁴ [Energy Act 2023](#)

⁵ [Draft Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2024 for consultation | Ofgem](#)

⁶ [The Electricity \(Criteria for Relevant Electricity Projects\) \(Transmission\) Regulations 2024](#)

align relevant codes to the enabling legislation and does not constitute a recommendation by the Panel as to the benefits of Competitively Appointed Transmission Owners (CATOs).

The introduction of Early Competition legislation affects the Grid Code (GC), Connection and Use of System Code (CUSC), the System Operator – Transmission Owner Code (STC) and the Security and Quality of Supply Standard (SQSS). NESO is proposing this modification in association with the modifications that have been progressed to the other industry codes and frameworks during the period between Autumn 2022 and Winter 2024. The proposed modifications include the STC proposals CM086 and CM087, the GC proposal GC0159, the CUSC proposals CMP403 and CMP404, and the SQSS proposal GSR031. The Authority decisions for these proposals have been issued as separate publications.

The modification proposal

This modification aims to introduce the concept of CATOs to the Grid Code to enable Onshore Network Competition for the design, build and ownership of onshore electricity transmission assets.

GC0159⁷ ('the Proposal') was raised by the Electricity System Operator (ESO), now known as NESO ('the Proposer') on 14 September 2022. The Proposal seeks to implement minimum changes to the Grid Code to facilitate the introduction of CATOs.

GC0159 proposes changes in the following areas:

- Glossary & Definitions.
- Planning Code.
- Operating Code 9.
- General Conditions.

⁷ The full legal text for this change can be found here: [GC0159: Introducing Competitively Appointed Transmission Owners | National Energy System Operator](#)

The Proposer considers the Proposal positively impacts Grid Code Objectives (i)⁸ and (ii)⁹ and has a neutral impact on the remaining Objectives.

The Workgroup Consultation was held between 25 January 2023 to 15 February 2023 and received six responses. Out of six respondents, five agreed that the Proposal better facilitates one or more of the applicable Grid Code Objectives; one respondent did not support the Proposal.

The Workgroup first met on 24 November 2023 to carry out their Workgroup vote. The Workgroup concluded unanimously that the Proposal better facilitates the Applicable Objectives than the Baseline. The Workgroup then confirmed their voting decisions at the Workgroup on 28 February 2024, following review of the amended legal text. At the Workgroup on 9 September 2024, the Workgroup again confirmed their voting decisions following review of the final amended legal text.

The First Code Administration Consultation was held from 28 March 2024 to 29 April 2024. This received two non-confidential responses where both respondents believed that the Proposal better facilitated Objective (i). However, one respondent raised concerns with the definition of Relevant Transmission Licence and queried whether Competitively Appointed Transmission Licensees will have a Transmission Area. Following guidance from the Authority sought by the NESO, a Second Code Administrator Consultation was issued on 24 September 2024 to 24 October 2024 on the amended legal text. This received two responses, both of which supported the implementation approach.

Grid Code Review Panel recommendation

On 12 December 2024, the Panel met and recommended by majority that the Proposer's solution is implemented.

⁸ Applicable Grid Code Objective (i): To permit the development, maintenance, and operation of an efficient, coordinated and economical system for the transmission of electricity.

⁹ Applicable Grid Code Objective (ii): to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the National Electricity Transmission System being made available to persons authorised to supply or generate electricity on terms, which neither prevents nor restricts competition in the supply of generation of electricity)

Our decision

We have considered the issues raised by the modification proposal and in the Final Modification Report dated 31 December 2024. We have considered and taken account of the responses to the industry consultation on the modification proposal which are included in the Final Report.¹⁰ We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the Objectives of the Grid Code¹¹
- approving the modification is consistent with our principal objective and statutory duties¹²

Reasons for our decision

We consider this modification proposal will better facilitate Grid Code Objectives (i), (ii) and (iv)¹³ and has a neutral impact on the other applicable Objectives¹⁴.

(i) to permit the development, maintenance and operation of an efficient, co-ordinated, and economical system for the transmission of electricity

We agree with the Proposer that GC0159 positively impacts this Objective. In September 2024 we consulted on the draft Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2024 (Tender Regulations¹⁵), which if made and approved by the Secretary of State, will govern the tender process for awarding CATO licenses. It is therefore essential that the Grid Codes reflect this policy proposal to ensure

¹⁰ Grid Code proposals, final reports and representations can be viewed on NESO's website at: [GC0159 Final Modification Report](#)

¹¹ As set out in Standard Condition E3 of the Electricity System Operator Licence.

¹² The Authority's statutory duties are wider than matters which the Grid Code Panel Review must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

¹³ Applicable Grid Code Objective (iv): to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency

¹⁴ For the avoidance of doubt, we have made our assessment for this Proposal with reference to the Applicable Code Objectives that came into effect on 1 October 2024. As noted in our letter to Panel dated 06 March 2025, and having not received representations to the contrary, we consider that the modifications to the Applicable Code Objectives (which came into effect on 1 October 2024 upon the establishment of NESO) would not have materially impacted any assessment of objectives and subsequent analysis and voting undertaken by Panel.

¹⁵ [Draft Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2024 for consultation | Ofgem](#)

that CATOs are treated in a manner consistent with existing onshore transmission licensees.

We therefore consider that the Proposal facilitates the necessary introduction of Competitively Appointed Transmission assets and is consistent with other relevant code changes and enabling legislation.

(ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the National Electricity Transmission System being made available to persons authorised to supply or generate electricity on terms, which neither prevents nor restricts competition in the supply of generation of electricity)

The Proposer states that Network Competition will introduce CATOs assets as part of the National Electricity Transmission System through a competitive tender process and therefore GC0159 positively impacts this Objective. A majority of the Panel members agreed that the Proposal better facilitates this Objective.

The Proposal is in line with our policy decision to award licenses through a competitive tender process, as discussed in our March 2022 decision on the development of early competition in onshore electricity transmission networks.¹⁶ We therefore consider the Proposal to have a positive impact on this Objective.

(iv) to efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency

We note that several Panel members believe GC0159 positively impacts this Objective. Voting statement from panel members describe the necessity of the modifications to ensure consistency with current policy.

In line with Objective (i), we consider the proposal to enact the necessary changes in the Grid Code following our September 2024 consultation on the Tender Regulations to

¹⁶ [Decision on early competition in onshore electricity transmission networks | Ofgem](#)

ensure that CATOs are treated consistently with existing transmission owners. We therefore agree with the Panel that the Proposal will constitute a positive impact on this Objective.

Decision notice

In accordance with Standard Condition E3 of the Electricity System Operator Licence, the Authority hereby directs that Grid Code modification proposal Grid Code GC0159: Introducing Competitively Appointed Transmission Owners be made.

Jon Sharvill,
Principal Policy Expert, Networks

Signed on behalf of the Authority and authorised for that purpose