
System Operator (“SO”) – Transmission Owner (“TO”) Code (“STC”) CM087 – Introducing Connections Process to facilitate Competitively Appointed Transmission Owners

Decision: The Authority¹ directs this modification to be made²

Target audience: National Energy System Operator (NESO), Parties to the STC, bidders and prospective bidders to the offshore tender process 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 which will set out the process by which tenders will be run.⁵ Following this, the Criteria Regulations⁶ set the criteria 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

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](#)

embedded within the relevant industry codes. This modification is proposed to 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 published as separate publications.

The modification proposal

The objective of this modification is to resolve issues around the Transmission Owner (TO)-CATO Connections process to facilitate the introduction of CATOs to the STC and enable Onshore Network Competition.

CM087⁷ ('the Proposal') was raised by the Electricity System Operator (ESO), now known as NESO ('the Proposer') on 29 November 2022. The Proposal seeks to implement legal text changes and insertions to STC Section D Planning and Coordination and new definitions in Section J. The Proposer introduces a TO-CATO connection proposal which contains the principles instructing the process and the process itself.

The Proposer considers the Proposal positively impacts STC Objectives (a)⁸ and (h)⁹ with a neutral impact on the remaining Objectives.

⁷ The full legal text for this change can be found here: [CM087: Introducing Connections Process to facilitate Competitively Appointed Transmission Owners | National Energy System Operator](#)

⁸ Applicable STC Objective (a): efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act.

⁹ Applicable STC Objective (h): compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

The Workgroup Consultation was held between 4 September 2023 to 25 September 2023. The Workgroup agreed that the Proposal would be effective in achieving the Proposer's Objectives however, some Workgroup members noted concerns about the implementation of the CATO regime as a potential excessive burden on TOs. On 28 November 2023, the Workgroup concluded by majority that the Proposal better facilitated the Applicable Objectives than the Baseline.

The Code Administrator Consultation was issued on the 08 January 2024, closed on 8 February 2024, and received two non-confidential responses. One respondent was supportive of CM087 and considered it to better facilitate the STC Objective. The other respondent was concerned about the additional work required across all associated STCs to ensure an efficient outcome.

STC Modification Panel¹⁰ recommendation

The STC Modification Panel considered the draft Final Modification Report (FMR) at its meeting on 28 February 2024. The Panel considered that CM087 would better facilitate the STC Objectives, and the Panel therefore recommended its approval.

Our decision

We have considered the issues raised by the proposal and the FMR. We have considered and taken account of the 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 Objectives¹¹
- directing that the modification be made is consistent with our principal Objective and statutory duties¹²

¹⁰ The STC Modification Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

¹¹ The Applicable STC Objectives are set out in Standard Condition B12 of the Transmission Licence and Standard Condition E4 of the Electricity System Operator Licence.

¹² 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 has a positive impact on STC Objectives (a) and (h) and has a neutral impact on the other applicable Objectives.¹³

(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act

We agree with the Panel and the Proposer that CM087 positively impacts this Objective in the efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act. The proposed change will instruct CATOs and existing TOs of roles and responsibilities and, therefore, ensure that commercial and technical obligations of CATOs, as transmission licensees, are clearly established.

Following the approval of the Act, which makes provision for the adoption of CATOs, and the forthcoming policy decisions on the CATO regime, modifications to the STC are necessary to ensure that the obligations of CATOs as transmission licensees are consistent with those of existing transmission licensees. We consider the Proposal is effective in achieving this and therefore has a positive impact on this Objective.

(h) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency

The Proposer's view is that STC Objective (h) is effectively facilitated by this modification as it ensures that, following the introduction of legislation enabling Early Competition, CATOs will comply with all relevant regulations. This position is shared by the Panel which unanimously agreed the Proposal has a positive impact upon Objective (h).

¹³ 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.

In September 2024 we consulted on the draft Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2024 (Tender Regulations¹⁴), which, if made and approved by the Secretary of State will govern the Early Competition tender exercise for granting CATO licences. Following this, it is essential that changes to the STC ensure that CATOs comply with the relevant regulations to ensure the Objective (h) is achieved. We therefore agree with the Proposal and consider the Proposal to have a positive impact on this Objective.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence and Standard Condition E4 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal CM087: Introducing Connections Process to facilitate Competitively Appointed Transmission Owners be made.

Jon Sharvill

Principal Policy Expert, Networks

Signed on behalf of the Authority and authorised for that purpose

¹⁴ [Draft Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2024 for consultation | Ofgem](#)