
System Operator (“SO”) – Transmission Owner (“TO”) Code (“STC”) CM086 – Introducing Competitively Appointed Transmission Owners & Transmission Service Providers

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.

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](#)

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 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 introduce the concept of CATO throughout the STC, in addition to other consequential changes.

CM086⁷ ('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 minimum change to the STC and System Operator Transmission Owner Code Procedures (STCPs) to facilitate the introduction of CATOs. The approach taken is to extend existing relevant Onshore Transmission Owner provisions to reflect upcoming licence changes to implement Early Competition in onshore electricity transmission.

CM086 proposes the following changes:

- Updates to Section D of the STC.
- Introduction of two new STCPs, CATO Connection Process (STCP 18-5) and Compliance Process (STCP 19-7).

⁷ The full legal text for this change can be found here: [CM086: Introducing Competitively Appointed Transmission Owners & Transmission Service Providers | National Energy System Operator](#)

- Amendments to existing STCPs, STCP12-1 and STCP16-1.

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

The Workgroup Consultation was held between 5 June 2023 to 5 July 2023. The Proposer and the Workgroup agreed to have the Energy Bill 2023 pass before the modification is approved. The Energy Bill 2023 received Royal Assent on the 26 October 2023. On 21 November 2023, the Workgroup concluded unanimously that the Proposal better facilitated the Applicable Objectives.

The Code Administrator Consultation was issued on the 8 January 2024 and closed on 8 February 2024. The consultation received two non-confidential responses of which both respondents stated that the change would better facilitate Objective (a), with both preferring the Proposal.

STC Modification Panel⁹ recommendation

The STC Modification Panel considered the draft Final Modification Report (FMR) at its meeting on 28 February 2024. The Panel considered that CM086 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:

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

⁹ The STC Modification Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

- implementation of the modification proposal will better facilitate the achievement of the applicable STC Objectives¹⁰
- directing that the modification be made is consistent with our principal objective and statutory duties¹¹

Reasons for our decision

We consider this modification proposal will better facilitate STC Objective (a) and has a neutral impact on the other applicable Objectives.¹²

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

The Panel and the Proposer state that CM086 positively impacts this Objective in efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act.

The Act enables regulations to be made whereby a transmission licence can be granted to a CATO from a competitive tendering process, and our March 2022 decision on the development of early competition in onshore electricity transmission networks¹³ provided for our decision to award licences to successful bidders. Therefore, we consider that the Proposal ensures that commercial and technical obligations of CATOs as transmission licensees are clearly established in the STC. We therefore agree that given the forthcoming CATO regime, the Proposal has a positive impact on this Objective.

¹⁰ 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.

¹¹ 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.

¹² 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.

¹³ [Decision on early competition in onshore electricity transmission networks | Ofgem](#)

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 CM086: Introducing Competitively Appointed Transmission Owners & Transmission Service Providers be made.

Jon Sharvill

Principal Policy Expert, Networks

Signed on behalf of the Authority and authorised for that purpose