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## **SQSS GSR031 Introducing Competitively Appointed Transmission Owners Authority Decision**

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**Decision:** The Authority<sup>1</sup> directs<sup>2</sup> that the proposed modification to the Security and Quality Supply Standard (SQSS) be made

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**Target audience:** The National Energy System Operator (NESO), the SQSS Review Panel, SQSS users and other interested parties

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**Date of publication:** 25 March 2025

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**Implementation date:** 10 working days after Authority decision

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### **Background**

The Security and Quality Supply Standard (SQSS) sets out the criteria and methodology for planning and operating the National Electricity Transmission System (NETS). The SQSS Panel is responsible for keeping the SQSS under review and submitting any proposed changes to us for a decision.

On 28 March 2022 we published our decision<sup>3</sup> to proceed with implementation of the Early Competition model. This was underpinned by the publication of the Energy Security Bill, introduced to Parliament on 6 July 2022 which makes provision to enable competitive tenders for delivery of onshore electricity network assets. The Energy Security Bill progressed through the parliamentary procedures and was given Royal Assent on 26 October 2023 becoming the 'Energy Act 2023' (the 'Act'). The Act introduces primary legislation required to allow for the competitive tendering of onshore transmission projects. It extends Ofgem's powers to make regulations to set out the process by which tenders will be run.<sup>4</sup> Following this, the Criteria Regulations<sup>5</sup> set the requirements to determine the competition eligibility for an onshore transmission project.

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<sup>1</sup> 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.

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

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

<sup>4</sup> [Draft Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2024 for consultation | Ofgem](#)

<sup>5</sup> [The Electricity \(Criteria for Relevant Electricity Projects\) \(Transmission\) Regulations 2024](#)

To allow Early Competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant 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 (the Act) affects the Grid Code (GC), Connection and Use of System Code (CUSC), the System Operator – Transmission Owner Code (STC) and the SQSS. The 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 this Proposal. The Authority decisions for these Proposals have been published as separate publications.

### **The Modification Proposal**

This modification aims to introduce the concept of CATOs to the SQSS to enable Onshore Network Competition for the design, build and ownership of onshore transmission projects.

GSR031 ('the Proposal') was raised by the NESO on the 25 October 2022. The Proposal seeks to implement minimum changes to the SQSS to facilitate the introduction of CATOs.

### **Workgroup Consultation**

The SQSS Panel considered this Proposal and a Workgroup was setup to progress it. The Workgroup further developed the Proposal and a Workgroup consultation was run from 20 February 2023 to 10 March 2023, receiving two non-confidential responses. One respondent supports the modification, but another does not support the implementation approach. They advise that the Proposer assumes CATOs will be treated as Transmission Owners (TOs). In this case, introducing the concept to the legal text does not improve the Code, as the arrangements for TOs already exist. The Workgroup considered the responses and it was noted that the Proposal is based on the benefits of introducing the concept of CATOs within the Codes as mandated by the Act. The Proposer also revised their assessments against the SQSS Objectives to address the concerns raised.

The Workgroup convened on the 30 November 2023 to progress the work on this modification, following the Act receiving the Royal Assent on the 26 October 2023. The Workgroup met on 15 December 2023 to carry out their Workgroup vote. The Workgroup concluded unanimously that the adoption of the Proposal better facilitated the Applicable SQSS Objectives.

### **Code Administrator Consultation**

The SQSS Panel received the Workgroup Report at its meeting on 9 April 2024 and agreed that the Terms of Reference had been completed. A Code Administrator Consultation ran from the 12 April 2024 to 2 May 2024, receiving one response in support of the Proposal.

### **SQSS Panel recommendation**

The SQSS Panel considered the Proposal and consultation responses at the Panel meeting on 3 June 2024 and made their recommendation vote; unanimously in favour of the Proposal. The Panel considered that it better facilitates Applicable SQSS Objectives (a)<sup>6</sup>, (c)<sup>7</sup> and (d)<sup>8</sup> and has a neutral impact on Objective (b).

### **Decision notice**

This letter sets out the Authority's decision to approve the proposed changes to the SQSS and the reasons for that decision. We have concluded that:

- implementation of the Proposal will better facilitate the achievement of Objective (a), (c) and (d) of the SQSS<sup>9</sup>
- approving the modification is consistent with our principal objective and statutory duties<sup>10</sup>

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<sup>6</sup> SQSS Objective (a) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner.

<sup>7</sup> SQSS Objective (c) facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity.

<sup>8</sup> (d) facilitate Licensees to comply with any relevant obligations under Assimilated Law.

<sup>9</sup> The NETS SQSS Industry Governance Framework: [SQSS Code Documents | National Energy System Operator](#)

<sup>10</sup> The Authority's statutory duties are detailed mainly in the Electricity Act 1989 as amended: [Electricity Act 1989](#)

## Reasons for our decision

We consider the SQSS modifications proposed in the Proposal better facilitate SQSS Objective (a), (c) and (d) and has a neutral impact on Objective (b).<sup>11</sup>

***(a) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner;***

We note this Proposal enables the concept of CATOs and requirements needed for the implementation of the Act's legal provisions within the SQSS for the planning and development of onshore transmission projects. It remains flexible to allow for an efficient and economical design process, while also considering a broader early competition strategy. We note that all Panel members considered the Proposal to better facilitate this Applicable SQSS Objective. We agree with the Panel members and consider the Proposal to better facilitate this Applicable SQSS Objective.

***(b) ensure an appropriate level of security and quality of supply and safe operation of the National Electricity Transmission System;***

We believe the Proposal lays the groundwork so that CATOs are considered within the SQSS alongside the provisions and obligations for existing onshore TOs. We consider the Proposal to have a neutral impact on this Applicable SQSS Objective.

***(c) facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;***

The Act allows the Secretary of State to set criteria for Ofgem to use in determining which onshore transmission projects are eligible for competitive tenders, as outlined in Schedule 15.<sup>12</sup>

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<sup>11</sup> 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 the SQSS Panel dated 6 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 SQSS Objectives and subsequent analysis and voting undertaken by the SQSS Panel.

<sup>12</sup> [Energy Act 2023](#)

To facilitate such competition, we consider the proposed changes to the relevant Codes as necessary to align with the facilitation of effective competition. We consider the Proposal to have a positive impact on this Applicable SQSS Objective.

***(d) facilitate Licensees to comply with any relevant obligations under Assimilated Law;***

This Proposal ensures the licensees and the SQSS are compliant to the Act. Therefore, we consider the Proposal to better facilitate this Applicable SQSS Objective.

For the avoidance of doubt, we have made our assessment on this Proposal in reference to the Applicable SQSS Objectives which came into effect upon the establishment of the NESO on 1 October 2024.

**Implementation**

In this letter we have set out our decision to approve the changes to the SQSS proposed in GSR031. The NESO intends to publish a draft version of the SQSS on its website with a cover note explaining the changes within it. An updated version of the SQSS will incorporate these changes in due course.

**Decision notice**

In accordance with Standard Condition E7 of the Electricity System Operator Licence, the Authority hereby directs that Proposal GSR031: Introducing Competitively Appointed Transmission Owners be made.

**Gurpal Singh**

**Head of Engineering and Profession Lead**

Signed for and on behalf of the Authority