STC Modification Proposal Form

CM051

Title of Modification Proposal

Code Governance Review (Phase 2): The Significant Code Review (SCR)

1. Description of the Proposed Modification

Background

In November 2007, Ofgem initiated Code Governance Review (CGR Phase 1) which sought to address concerns that the existing code arrangements may be too complex and inaccessible to smaller market participants. Following initiation of CGR (Phase 1), Ofgem proposed to prioritise changes to the CUSC, UNC and BSC as most major policy reform is achievable through the modification of these codes. Ofgem published their final proposals and a consultation on the proposed licence drafting on 31 March 2010. These changes were implemented into their respective codes at the end of 2010.

In April 2012, Ofgem announced their intention to initiate a Code Governance Review (CGR Phase 2) which would look at extending the arrangements introduced to the CUSC, UNC and BSC to the other codes. Following on from this, Ofgem published a consultation on their CGR (Phase 2) Proposals in September 2012.

Ofgem announced their CGR (Phase 2) final proposals on 27 March 2013. This second phase focused on extending the CGR conclusions to further industry codes, and included:

- Extending the scope of Self-Governance across codes;
- Applying Significant Code Review procedures uniformly, allowing for holistic cross-code reviews; and
- Improving and aligning code administration practices

http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Pages/GCR.aspx.

Proposal

This Modification Proposal seeks to introduce into the STC one of the proposals highlighted in CGR (Phase 1), the Significant Code Review (SCR). The SCR process seeks to require certain licence holders to raise code modifications in line with the conclusions set out by the Authority following an SCR. The SCR will allow the Authority to initiate a review of one or more matters which they consider to:

- Have significant impacts on electricity consumers or competition;
- Have significant impacts on the environment, security of supply or sustainable development;
- Create significant cross code or cross licence issues;
- Have a significant impact on the Authority's principle objectives (under section 3A of the Act), statutory functions or relevant obligations bound by EU law.

National Grid proposes modifications to the STC to create the following process (please see Appendix 1 for the proposed illustrative process flow diagram);

(i) Where an SCR has been initiated by the Authority, a notice will be issued to the STC Parties that an SCR has commenced. This will also detail the start date of the SCR and the matters which will be within the scope of the review. ***(Paragraph (i) is for information only and will not require an amendment***

to the STC)

(ii) National Grid will update the Modification Proposal template to allow proposers to give reasons on whether it should be included within the scope of an SCR if the modification is being raised during the SCR Phase.

(iii) Any Modification Proposals which were made before the SCR Phase commenced will still progress under the normal modification process.

(iv) If a Modification Proposal raised prior to an SCR Phase is sent to Authority for determination but it is subsequently sent back (under the proposed Send Back Process) in to the modification process during an SCR Phase, that Modification Proposal will not be subject to the SCR.

(v) Any new non urgent Modification Proposal may not progress if it is deemed to fall within the scope of the SCR during the SCR phase, unless it is agreed by the Authority. An initial assessment of whether a proposal falls with an SCR will be determined by the STC Modification Panel (the "Panel") which may include an optional consultation with the industry. A final assessment will be sent to the Authority by the STC Modification Panel Secretary once the consultation has concluded, unless a consultation has been deemed unnecessary.

(vi) If a response has not been received from the Authority with 28 calendar days regarding the decision of whether a Modification Proposal should be subsumed, the proposal will follow the normal modification process unless otherwise directed by the Authority.

(vii) If the Authority subsumes a new Modification Proposal within the SCR, the original proposal will be deemed as suspended and may not be adopted by another party.

(viii) A subsumed Modification Proposal which is suspended will go back to the Panel for consideration as to how it should be progressed, once the SCR phase ends or is deemed to have ended.

(ix) The SCR phase will last approximately 12 months after which the Authority should publish the conclusions of the SCR and issue directions to the licensee(s). The Authority will have 28 days in which to provide a direction for any Modification Proposals to be raised. If no direction has been given then SCR phase will have been deemed to have ended.

(x) The period of the SCR Phase will be between the date at which Authority states that an SCR is initiated and the date at which the Authority issues a direction.

(xi) If any Modification Proposals have been raised following the direction from the Authority, these will follow the standard STC Modification process with the exception that these Modification Proposals cannot be withdrawn without the Authority's prior consent.

(xii) The voting rights of the Panel will not be fettered for any SCR modifications that may be raised.

2. <u>Description of Issue or Defect that Proposed Modifications seeks to Address</u>

CM051 seeks to implement the Significant Code Review aspect of the Code Governance Review (Phase 2) proposals and meet the new requirements under the modified electricity transmission licence.

3. <u>Impact on the STC</u>

Changes could be required to:-

Section B - Governance;

Section J - Interpretation & Definitions; and

A new STC Procedure

4. Impact on other frameworks e.g. BSC, CUSC, Grid Code

None identified

5. Impact on Core Industry Documentation

None identified

6. Impact on Computer Systems and Processes used by STC Parties

None identified

7. Details of any Related Modifications to Other Industry Codes

None identified

8. Justification for Proposed Modification with Reference to Applicable STC Objectives

Amending the STC as described above will mean that the following objectives are better facilitated:

STC Objectives

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

The proposed changes to the STC will allow the transmission licensees to meet the new significant obligations imposed upon them through the transmission licence which have resulted from the second phase of Code Governance Review.

(b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;

The proposed changes are neutral to this objective

(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;

The proposed changes are neutral to this objective

(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;

The proposed changes are neutral to this objective

(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC; and

The introduction of the Significant Code Review will promote good industry practice by aligning the STC with other industry codes that utilise the Significant Code Review arrangements. This will also enable significant code changes to occur in a timely and efficient manner, reducing the delay in the implementation of important code changes. .

(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system.

The proposed changes are neutral to this objective

Details of Proposer Organisation's Name	National Grid Electricity Transmission plc
Capacity in which the Modification is being proposed (i.e. STC Party or other Party as designated by the Authority pursuant to STC section B7.2.2.1 (b))	STC Party
Details of Proposer's Representative Name Organisation Telephone Number Email Address	Damien McCluskey National Grid Electricity Transmission plc 01926 656034 damien.mccluskey@nationalgrid.com
Details of Representative's Alternate Name Organisation Telephone Number Email Address	Audrey Ramsay National Grid Electricity Transmission plc 01189 363633 audrey.ramsay@nationalgrid.com
Attachments (Yes): Appendix A: Significant Code Review Process Diagram	

Notes:

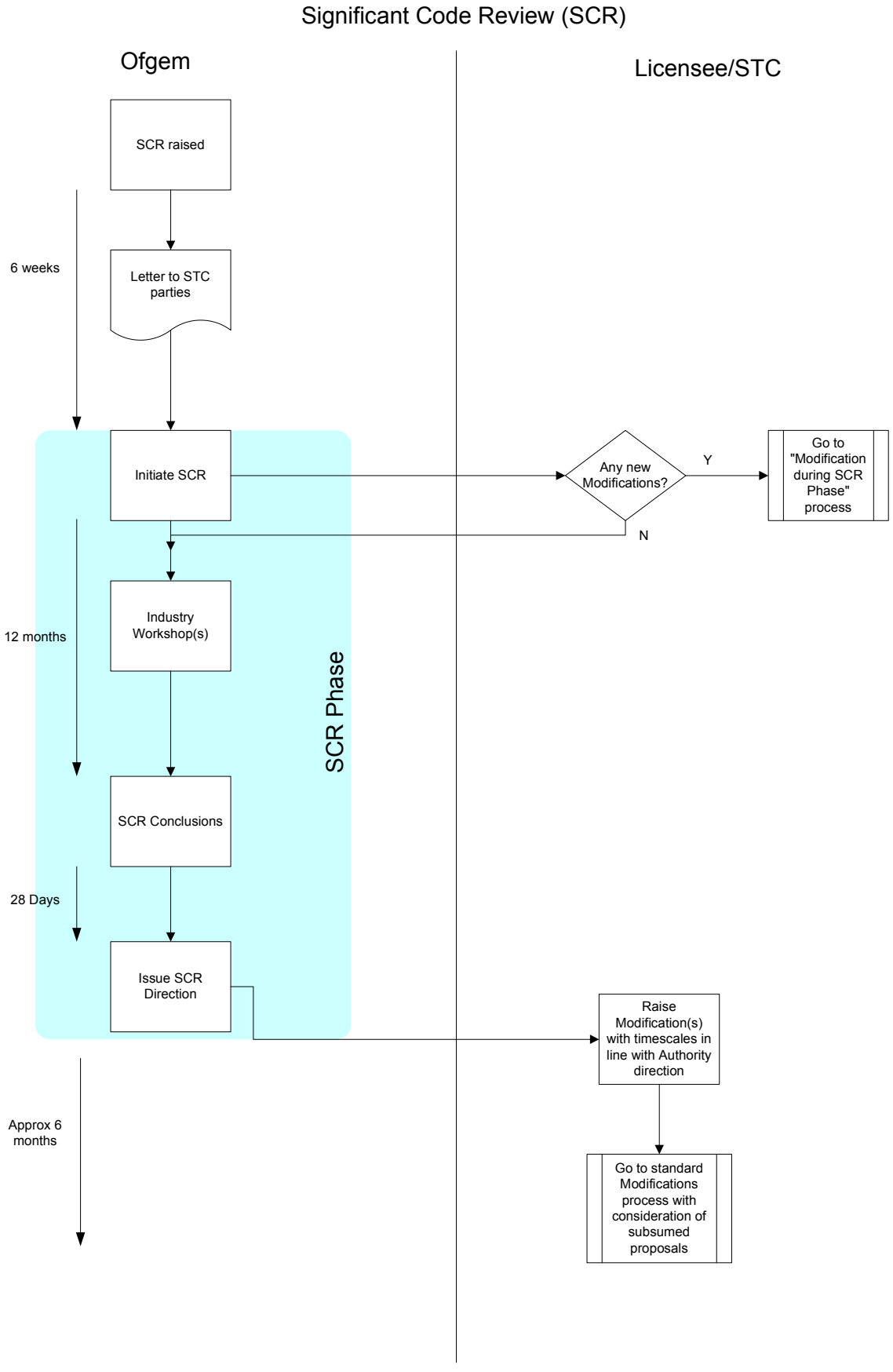
1. Those wishing to propose a Modification to the STC should do so by filling in this "Modification Proposal Form" that is based on the provisions contained in Section 7.2 of the STC.

2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the STC, prior to submitting it to the Panel. If the Panel Secretary accepts the Modification Proposal form as complete, then she/he will write back to the Proposer informing them of the reference number for the Modification Proposal and the date on which the Panel will consider the Proposal. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the STC, then he/she may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Lucy Hudson
STC Modification Panel Secretary
Electricity Regulatory Frameworks
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick, CV34 6DA
E-mail to: Lucy.Hudson@nationalgrid.com

Appendix A – Significant Code Review Flow Diagram



Amendment During SCR Phase