

STC Modification Proposal Form

CM052

1. Title of Modification Proposal

Code Governance Review (Phase 2): Role of Code Administrator and Code Administration Code of Practice

2. 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

As part of the suite of Modification Proposals, one of the areas reviewed was the Role of Code Administrator and the creation of a Code of Practice (CACoP). Ofgem's final proposals seek to enable the Code Administrator to assist parties to adhere to the principles contained within the CACoP (which was implemented on 31 December 2010). The CACoP aims to facilitate convergence and transparency in code Modification processes and was developed by Code Administrators, with input from code users and Ofgem, in order to establish best practice for code administration and to encourage participation from those involved in the energy industry who may not be code users.

Code Administrator;

National Grid proposes that the duties and functions described in the Code Administrator role will be carried out by the STC Modification Panel Secretary, whose function shall include maintaining the CACoP.

Code of Practice Principles;

The STC needs to recognise the existence of the CACoP; however a strict 'one size fits all' approach may not produce significant benefits over and above applying the CACoP principles to the extent that they are relevant. This will need to be reviewed periodically and may be amended with the Authority approving any proposed changes. National Grid proposes that the STC is modified to state that the Code Administrator will follow the

relevant CACoP where it is deemed applicable.

The CACoP principles should be applied to the extent that they are relevant. Appendix A contains a summary of which principles National Grid consider are relevant for the STC. Below is National Grids rationale for whether each principle is relevant and what National Grid proposes;

1. Code Administrators shall be critical friends;

National Grid proposes that a new role be created within the STC process, separate to the role of technical secretary. This role will involve helping to remove barriers to entry by allowing market participants access to the STC Modification Panel (the "Panel") and by providing knowledge around how changes to the STC could potential impact them as a Transmission Owner. Providing assistance, where reasonably practical and on reasonable request is seen as business as usual by National Grid.

2. Documentation published by Code Administrators shall be in clear English;

National Grid agrees that this would be consistent with other codes. CA048 (Alignment of terminology with other industry codes) which was implemented on the 17th October 2012, has already resulted in STC terminology being standardised with other Industry codes.

3. Information will be promptly and publicly available to users;

The Code Administrator will carry out this role. Going forward a 'Headline Report' or 'Self-Governance Statement' could be used to notify the Industry when a key decision had been agreed by the Panel e.g. a Self-Governance determination.

4. This Code of Practice will be reviewed periodically and subject to amendment by users;

A working practice is proposed that the Code Administrator would discuss any changes that it proposes to raise to the Code of Practice with the Panel prior to raising them; however as the CACoP change process sits within this document and not within the STC, this does not form part of the STC modification process.

5. Code Administrators shall support processes which enable users to access a 'pre-Modification' process to discuss and develop Modifications;

The STC currently does not have a 'pre-Modification' process; however this can easily be implemented due to the nature of the STC, as potential modifications are already discussed by the Panel before being formally raised. All users of the STC are represented on the Panel and use this as a forum to develop STC/P modifications.

6. A proposer of a Modification will retain ownership of the detail of their solution;

National Grid propose to amend the STC to clarify that the existing provisions for withdrawal of a Modification Proposal within the STC apply to the point when the Panel makes its recommendation on whether a Modification Proposal should be implemented. This retains the existing principle of proposer ownership; aligns the withdrawal provisions in the STC to the principles set out in the approved CACoP, while also providing additional clarity to the STC in this area.

7. Code Administrators will facilitate alternative solutions to issues being developed to the same degree as an original solution;

The STC Modification Panel Secretary is already in place to provide this role, supporting the modification proposer to help facilitate alternative solutions to issues to the same degree as the original solution, but as yet has not been required. Going forward this role will be carried out by the Code Administrator.

8. Estimates of implementation costs to central systems will be produced and consulted upon prior to a Modification being recommended for approval;

National Grid proposes to amend the STC Modification Proposal to include estimates of implementation costs to central systems. This would align the STC to the other industry codes.

9. Legal text will be produced and consulted upon prior to a Modification being recommended for approval;

This is already embedded within the current STC process.

10. Modifications will be consulted upon and easily accessible to users, who will be given reasonable time to respond;

This is already embedded within the current STC Modification process, as the STC Modification Panel Secretary issues the proposed Modification Report and confirms the Industry Consultation period (max one month) inviting responses and publishes on NGET website.

11. There will be flexibility for implementation, to allow proportionate delivery time and realisation of benefits;

Following receipt of an Authority decision, a flexible implementation date already exists within the current STC process. Section B – Governance of the STC states;

7.2.5.8(e) the proposed Implementation Date of the STC Modification Proposal or any Alternative STC Modifications as agreed by the STC Modification Panel, failing which, as shall be proposed by the proposer and, in the latter case, accompanied by the written representation of the STC Modification Panel and any proposer giving their own opinion as to what the Implementation date should be;

12. The Code Administrators will annually report on Key Performance Indicators (KPIs);

NG propose that the following KPIs be applied as a starting point and reviewed annually through the CACoP review;

- a. Quality of Assessment – Number and percentage of reports ‘sent back’ by the Authority.
- b. Critical Friend – number and percentage of survey respondents who stated they were ‘satisfied’ or better with the assistance offered by the Code Administrator.
- c. Effective Communication – average number of respondents to consultations.

3. Description of Issue or Defect that Proposed Modifications seeks to Address

The Code Governance Review final proposals seek to implement revised duties for the Code Administrators and create the Code Administration Code of Practice to improve the existing code arrangements by implementing best practice and to ensure that code administrators act in a manner consistent with the Code of Practice principles. The principles set out in the CACoP will make the governance of the STC more robust, facilitate a greater degree of participation, and generally lead to more effective decision-making.

4. Impact on the STC

Changes would be required to:-

Section B - Governance;

Section J - Interpretation & Definitions; and

A new STC Procedure

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

None identified

6. Impact on Core Industry Documentation

None identified

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

None identified

8. Details of any Related Modifications to Other Industry Codes

None identified

9. 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 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 Codes of Practice will promote good industry practice by aligning the STC with other industry codes that utilise the Code Administration Code of Practice. By defining the role of critical friend this will improve accessibility for all industry participants, particularly smaller parties and potential new entrants going forward. The Code Administration Code of Practice will also improve transparency by better aligning the modification process and establishing common principles.

(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: Code Administration Code of Practice Table	

Notes:

1. Those wishing to propose an 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

Or via e-mail to: Lucy.Hudson@nationalgrid.com

Appendix A - Code Administration Code of Practice Table

Code Administration Code of Practice

Principles		Applicable
1	Code Administrators shall be critical friends	✓
2	Documentation published by Code Administrators shall be in clear English	✓
3	Information will be promptly and publicly available to users	✓
4	This Code of Practice will be reviewed periodically and subject to amendment by users	✓
5	Code Administrators shall support processes which enable users to access a 'pre-Modification' process to discuss and develop Modifications	✓
6	A proposer of a Modification will retain ownership of the detail of their solution	✓
7	Code Administrators will facilitate alternative solutions to issues being developed to the same degree as an original solution	✓
8	Estimates of implementation costs to central systems will be produced and consulted upon prior to a Modification being recommended for approval	✓
9	Legal text will be produced and consulted upon prior to a Modification being recommended for approval	✓
10	Modifications will be consulted upon and easily accessible to users, who will be given reasonable time to respond	✓
11	There will be flexibility for implementation, to allow proportionate delivery time and realisation of benefits	✓
12	The Code Administrators will annually report on Key performance Indicators (KPIs)	✓