







Stage 2: STC Industry Consultation		At what stage is this document in the process?								
<h2 style="color: #008080;">CM062 Aligning Condition B12 of the STC to the licence changes introduced by the Code Governance Review Phase 3</h2>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 30px;">01</td> <td style="padding: 5px;">Initial Modification Report</td> </tr> <tr> <td style="text-align: center;">02</td> <td style="background-color: #008080; color: white; padding: 5px;">Industry Consultation</td> </tr> <tr> <td style="text-align: center;">03</td> <td style="padding: 5px;">Draft Final Modification Report</td> </tr> <tr> <td style="text-align: center;">04</td> <td style="padding: 5px;">Final Modification Report</td> </tr> </table>		01	Initial Modification Report	02	Industry Consultation	03	Draft Final Modification Report	04	Final Modification Report
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04	Final Modification Report									
<p><b>Purpose of Modification:</b> CM062 seeks to implement the licence changes to the STC arising from Ofgem’s Code Governance Review (Phase 3).</p>										
	<p>This modification was raised 7 December 2016 and was presented by the Proposer to the STC Panel on 14 December 2016.</p> <p>The STC Panel unanimously approved that the change should be subject to self-governance and the report issued for Industry Consultation for 10 Working Days.</p>									
	<p><b>Low Impact:</b> National Grid, STC Parties, the STC Panel</p>									

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Timetable		
<b>The Code Administrator recommends the following timetable:</b>		
Self-governance Modification Proposal issued to the STC Panel		14 December 2016
Panel Agree that CM062 meets the self-governance criteria		14 December 2016
Issue Industry Consultation for 10 Workings Days		21 December 2016
Industry Consultation closes		9 January 2017
Issue Draft Final Modification Report to industry and the Authority for 5 Working Days		10 January 2017
Draft Final Modification Report issued to the STC Panel		18 January 2017
Panel determination vote		25 January 2017
Appeal Window commences for 15 Working Days		25 January 2017
Appeal Window closes		15 February 2017
Implementation		17 February 2017

## 1 About this document

The purpose of this document is to consult on CM062 with STC Parties and other interested industry members. Representations received in response to this consultation document will be included in the Code Administrator's draft STC Modification Report that will be issued to the STC Panel for its determination at the January 2017 STC Panel meeting.

Parties are requested to respond by 5pm on 9th January 2017 to [stc.team@nationalgrid.com](mailto:stc.team@nationalgrid.com) using the Code Administrator Consultation Response Proforma which can be found via the following link:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/STC/Modifications/CM062>

## 2 Summary

### What

CM062 has been raised to implement the licence changes to the STC arising from Ofgem's Code Governance Review (Phase 3). The third phase of Ofgem's review of code governance focusses on ensuring that the governance arrangements of all industry codes deliver both non-material self-governance changes and more complex changes in an efficient and timely way. Section 5 details the areas of change.

### Why

CM062 has been raised to implement the licence changes to the STC arising from Ofgem's Code Governance Review (Phase 3).

### How

It is proposed that the changes to licence conditions B12 be implemented in the STC. The legal text changes have been developed by National Grid's legal department following discussions with their Ofgem counterparts.

## 3 Governance

It is proposed that this Modification follows the self-governance procedure and should proceed to Industry Consultation with a **10 Working Day** consultation period.

## Self-governance rationale

Whilst the changes this Modification is seeking to implement are within the scope of areas of consideration in respect to the self-governance criteria<sup>1</sup> (changes the decision-making capacity of the STC Panel in relation to STC and changes any decision-making capacity of the Authority). The rationale for proceeding straight to consultation is that these changes are introducing the amendments that the Authority has already consulted with industry on and the changes have been mandated by the Authority<sup>2</sup>.

## Requested Next Steps

This modification should:

- Agree that CM062 meets the self-governance criteria; and
- Agree that CM062 should proceed to industry consultation.

## 4 Panel determination

The STC Panel at its December 2016 meeting agreed that CM062 should be progressed using self-governance and be issued to Industry Consultation for 10 Working Days.

The views of the STC Panel were as follows:

### **National Grid**

National Grid is supportive of Modification Proposal CM062 and Approach 2 as the pragmatic solution but recognise that the STC Panel would be non-compliant for one month. The implementation of CM062 would not have any physical impact on National Grid Systems or require changes to IS systems. No additional work or monies would be required to implement the proposed change.

### **Offshore Transmission Owners (OFTOs)**

The OFTOs are supportive of Modification Proposal CM062 and Approach 2 as the pragmatic solution but recognise that the STC Panel would be non-compliant for one month. The implementation of CM062 would not have any physical impact on National Grid Systems or require changes to IS systems. No additional work or monies would be required to implement the proposed change.

### **Scottish Hydro Electric Transmission plc. (SHET)**

SHET is supportive of Modification Proposal CM062 and Approach 2 as the pragmatic solution but recognise that the STC Panel would be non-compliant for one month. The implementation of CM062 would not have any physical impact on National Grid

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<sup>1</sup> Self-governance materiality guidance can be found here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Cacop/>

<sup>2</sup> <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-governance-review>

Systems or require changes to IS systems. No additional work or monies would be required to implement the proposed change.

### **SP Transmission Limited (SPT)**

SPT is supportive of Modification Proposal CM062 and Approach 2 as the pragmatic solution but recognise that the STC Panel would be non-compliant for one month. The implementation of CM062 would not have any physical impact on National Grid Systems or require changes to IS systems. No additional work or monies would be required to implement the proposed change.

CM062 will be issued for Industry Consultation for 10 Working Days, with responses due by 5pm 9 January 2017 and implementation scheduled for 17 February 2017. Section 9 details the process for the Industry Consultation.

## **5 Why Change?**

As part of Ofgem's CGR3 Final Proposals, Ofgem consulted on licence drafting to introduce proposed amendments to the Significant Code Review (SCR) process. This Modification has been raised to align the licence changes to the provisions set out in Section B and Section J of the STC.

## **6 Code Specific Matters**

Not applicable for this Modification.

## **7 Solution**

As detailed on Ofgem's website<sup>3</sup> the changes to Condition B12 relate to the introduction of more flexibility to the STC Modifications process for SCRs. The changes comprise of:

### **Introducing the ability for the Authority to raise a STC Modification following the end of a SCR:**

- Introducing into Section B the ability for the Authority to raise a STC Modification Proposal arising from the relevant SCR.

### **Introducing the ability for the Authority to end a SCR:**

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<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals>

- Introducing into Section B an additional route to which the Authority can deem a SCR has ended.

#### **Introducing the ability for the Authority to lead an end to end STC SCR Modification:**

- Introduce provisions for an Authority led end-to-end STC SCR Modification.

#### **Backstop Direction**

- Introduce a Backstop Direction where by a STC Modification Proposal that has been made in relation to a SCR, the Authority may issue a Backstop Direction, which requires such proposal(s) and any alternatives to be withdrawn and which causes the Significant Code Review phase to recommence.

These changes will be reflected in Section B and Section J of the STC. The red-lined draft changes are included as attachments to this Modification Proposal.

#### **For information only:**

#### **Self-Governance**

- Part of CGR3 is to change the way that Modifications are assessed such they should be considered as self-governance unless the change can be materially evidenced by the Proposer that the defect is material enough and should therefore **not** be assessed as self-governance. No changes to the STC have been identified for inclusion in this Modification.

The full set of proposed legal text changes are detailed on Ofgem's website:

[www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals](http://www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals).

## **8 Impacts & Other Considerations**

#### **Consumer Impacts:**

The Proposer considers that this will not have any material impact on consumers from the implementation of this Modification.

#### **Environment Impacts:**

The Proposer considers that this will not have any material impact on greenhouse gas emissions.

#### **Engagement with the Authority:**

Ofgem has been fully engaged with the changes to the Codes and licences that National Grid administers.

## 9 Industry Consultation Process

This report, the draft legal text changes and the response proforma is available using the following link:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/STC/Modifications/Current-STC/>

## 10 Relevant Objectives

This Proposed Modification will better facilitate:

Impact of the modification on the STC Objectives:	
Relevant Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	None
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	None
(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	None
(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	None
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	Positive
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	None
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	None

The proposed changes will aid the acceleration in the change process and enable more efficient delivery of priority Modifications.

The full set of proposed legal text changes are detailed on Ofgem's website:

[www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals](http://www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals)

## 11 Implementation

It is proposed that CM062 STC Modification is implemented no sooner than the 1 Working Day after the appeals window closes providing no objections have been raised.

The proposed implementation date will be **17 February 2017**.

## 12 Legal Text

Attachment 1 contains the draft legal text changes for Section B of the STC and Attachment 2 contains the draft legal text changes for Section J of the STC. These drafts have been provided by National Grid's legal department and have been developed in conjunction with Ofgem's legal department.

## 13 Recommendations

At the STC Panel meeting on 14 December, the STC Panel:

- AGREED unanimously that Self Governance procedures should apply; and
- AGREED that report should be issued for Industry Consultation for 10 Working Days.