





**STCP Modification Proposal Form (System Operator – Transmission Owner Code)**

**PM0106: National Grid Legal Separation - consequential changes to STCP19-3 to reference NGESO**

01 Initial STCP Modification Proposal Form

**Purpose of Modification:** This proposal seeks to modify the System Operator Transmission Owner Code Procedure 19-3 (STCP19-3) to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited. References to NGET have been replaced by NGESO, where relevant, throughout the STCPs in order to ensure the System Operator and Transmission Owner obligations are clear.

	<p><b>The Proposer recommends that this modification should be:</b> Presented at the July STC Panel meeting for approval.</p>
	<p><b>High Impact:</b> None</p>
	<p><b>Medium Impact</b> None</p>
	<p><b>Low Impact</b> National Grid, Scottish Power Transmission, SHE Transmission, Offshore Transmission Owners</p>

**Contents**

<b>1 Summary</b>	<b>4</b>
<b>2 Governance</b>	<b>5</b>
<b>3 Why Change?</b>	<b>5</b>
<b>4 Impacts &amp; Other Considerations</b>	<b>5</b>
<b>5 Solution</b>	<b>7</b>
<b>6 Implementation &amp; Transition</b>	<b>7</b>
<b>7 Legal Text</b>	<b>8</b>
<b>8 Recommendation</b>	<b>8</b>

**Timetable**

**The Code Administrator recommends the following timetable:**

Proposal Form Submitted to Code Administrator for review	10 July 2018
Proposal form submitted to STC Panel Secretary	17 July 2018
STCP's are presented and approved by the Panel	25 July 2018
Sign off	by September 2018
Implementation	1 April 2019

 **Any questions?**

Contact:  
**Code Administrator**

 [Lurrentia.Walker@nationalgrid.com](mailto:Lurrentia.Walker@nationalgrid.com)

 07976 940 855

**Proposer: Bec Thornton**

 [bec.thornton@nationalgrid.com](mailto:bec.thornton@nationalgrid.com)

 **07887 822443**

**Details of Proposer:**

<b>Details of Proposer:</b> (Organisation Name)	NGET
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<p>Capacity in which the STCP Modification Proposal is being proposed:  (i.e. STC Party, Party Representative or person or persons having a relevant interest as may be designated in writing for this purpose by the Authority</p>	<p>STC Party</p>
<p><b>Details of Proposer's Representative:</b>  Name: Organisation: Telephone Number: Email Address:</p>	<p>Bec Thornton NGET 07887 822443 <a href="mailto:Bec.thornton@nationalgrid.com">Bec.thornton@nationalgrid.com</a></p>
<p><b>Details of Representative's Alternate:</b>  Name: Organisation: Telephone Number: Email Address:</p>	<p>John Martin NGET 07794 050359 <a href="mailto:John.martin2@nationalgrid.com">John.martin2@nationalgrid.com</a></p>
<p><b>Attachments (Yes):</b></p> <ul style="list-style-type: none"> <li>• STCP19-3 - Safety Co-ordination between Parties</li> </ul>	

**Impact on Core Industry Documentation.**

<b>BSC</b>	<input type="checkbox"/>
<b>Grid Code</b>	<input type="checkbox"/>
<b>CUSC</b>	<input type="checkbox"/>
<b>Other</b>	<input type="checkbox"/>

Although this modification proposal does not directly impact other industry codes, other proposed modifications to industry codes (Grid Code, CUSC, BSC, Distribution Code, DCUSA, SQSS) have already been raised as a result of creating a legally separate system operator.

## 1 Summary

### Defect

The STC Procedures (STCPs) set out the roles, responsibilities, obligations and rights of the Transmission System Owners and National Grid as the National Electricity Transmission System Operator (NETSO) in further detail.

Following legal separation of the System Operator and Transmission Owner within National Grid Group, on 1<sup>st</sup> April 2019, the STCPs will no longer place the correct relevant obligations on those two National Grid new legal entities.

### What

It is proposed that STCP19-3 are modified to introduce the new NGESO legal entity, and the existing NGET legal entity in a new role as a relevant transmission licensee.

The relevant obligations of the System Operator will move to NGESO and National Grid Electricity Transmission plc (NGET) as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners.

### Why

Changes are required to NGET's existing licence required to implement legal separation; all system operator obligations will be transferred into a new transmission licence for the NGESO and as such need to be reflected accordingly within the electricity codes. The licence changes are the subject of ongoing consultation<sup>1</sup>.

### How

NGET published an open letter on its approach to modifying the relevant Industry Codes on 22 September 2017<sup>2</sup> stating its intention to raise Code Modifications.

As the introduction of NGESO will be throughout the whole of the STC, the STCPs need to be amended accordingly.

The changes to STCP19-3 for National Grid Legal Separation were already approved by the STC Modification Panel on 25<sup>th</sup> April 2018, but as a further non-Legal Separation modification was approved and implemented on 25<sup>th</sup> June 2018, this modification proposal PM0106 for Legal Separation is based in the latest implemented version of STCP19-3.

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<sup>1</sup> [Future Arrangements electricity System Operator Informal consultation on ESO Licence Drafting & Notices for Licence Modifications](#)

<sup>2</sup> NGET's Open Letter [Open Letter 22 Sept 2017](#)

## 2 Governance

Section B 7.3 states amendments for a STCP need approval from the STC Modification Panel. The Proposer recommends that this final proposal should now be approved at the July STC Panel meeting and implemented on 1 April 2019.

## 3 Why Change?

Following the joint statement titled “Statement on the future of Electricity System Operation” issued by BEIS, Ofgem and National Grid on 12 January 2017<sup>3</sup> and consequential consultation response by Ofgem on ESO separation on 3 August 2017<sup>4</sup>, the obligations in the STC will need to be modified to reflect the System Operator requirements and to place the current Transmission Owner requirements on NGET as a Transmission Owner.

NGET and NGESO will become separately licensed entities as a consequence of NGET partially transferring its existing licence to NGESO (the System Operator elements only) to NGESO under section 7A Electricity Act 1989 and NGET will retain the Transmission Owner elements.

Five Modification Proposals to the STC (CM065, CM066, CM067, CM068 and CM069) and Two STCP Modification Proposals (PM0102 and PM0103) were raised at the April 2018 STC Modification Panel. This PM0105 Modification Proposal is dependent on those STC Modification Proposals being approved by The Authority.

Further STCP Modification proposals for Legal Separation PM0104 and PM0106 will be raised in parallel to this PM0105.

## 4 Impacts & Other Considerations

All parties to the STC are impacted, to the extent that the relationship between the all Transmission Owners will change to be with NGESO not NGET.

**Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

N/A

### Consumer Impacts

N/A

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<sup>3</sup> Consultation and Decision documents [Future Arrangements Electricity System Operator](#)

<sup>4</sup> Ofgem’s Consultation Response [Future Arrangements Electricity System Operator Ofgem Response](#)

## STC Parties' Assessments

Representatives from the following parties have been involved in the work to produce the legal text attached to this Modification Proposal and are fully supportive of this Modification Proposal PM0106

- National Grid (NGET)
- Offshore Transmission Owners (OFTOs)
- Scottish Hydro Electric Transmission plc (SHET)
- SP Transmission Limited (SPT)

## Relevant Objectives

Impact of the modification on the STC Applicable Objectives and STCP Assessment Criteria:	
Relevant STC Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	Positive
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	
(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	
(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	
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	

In addition for an STCP Change, Section B 7.3.2 details that the following should be considered:

Provision	View of the Proposer
the amendment or addition does not impair, frustrate or invalidate the provisions of the Code	Agree
the amendment or addition does not impose new obligations or liabilities or restrictions of a material nature on Relevant Parties which are not subsidiary to the rights and obligations of the Relevant Parties under the Code	Agree
the amendment or addition is not inconsistent or in conflict with the Code, Transmission Licence Conditions or other relevant statutory requirements	Agree
the Relevant Party Representatives deem that the amendment or addition is appropriate to support compliance with the Code	Agree

The Proposer believes that this change will better facilitate relevant objective A by attributing the appropriate obligations to NGESO as System Operator and the Transmission owners in accordance with the new NGESO Transmission Licence and modified NGET Transmission Licence obligations and Section B 7.3.2 is satisfied

This STCP does not impact the above

## 5 Solution

NGET has been replaced by NGESO where relevant throughout the STCP19-3 to ensure the SO and TO roles and obligations are clear.

## 6 Implementation & Transition

Legal text for PM0106 has been drafted using the baseline of 25 June 2018 STCP text and as the modification progresses through the governance process, the text may need to be revised in light of further Business as Usual modifications to the STC and STCPs. The Code Administrator will ensure that the Proposer is aware of any Business as Usual Modification Proposals and the Proposer will take into account any relevant

amendments to the PM0106 that may need to be made prior to 1 April 2019 and notify the STC Modification Panel should anything in PM0106 require further modification as a result of this.

PM0106 together with the PM0102, PM0103, PM0104, PM0105, CM065, CM066, CM067, CM068 and CM069 and the associated STC novation agreement in respect of National Grid's legal separation are all interdependent and as such, are all required to be implemented as a single update to the STC and update to each STCP, on 1<sup>st</sup> April 2019 following The Authority's determination of the STC Modification Proposals and STC Modification Panel approval of the STCP Modification Proposals.

## 7 Legal Text

### Text Commentary

Due to the many places 'NGET' has been replaced with 'NGESO' throughout STCP19-3, the proposed Legal can be found in the attachment to this Modification Proposal PM0106.

## 8 Recommendation

### Proposer's Recommendation to Panel

Panel is asked to:

Approve this STCP Modification Proposal.