

# CM069: National Grid Legal Separation - consequential changes to incorporate NGESO in STC Sections & Schedules

01	Initial Modification Report
02	Industry Consultation
03	Draft Final Modification Report
04	Final Modification Report

**Purpose of Modification:** This proposal seeks to modify the System Operator Transmission Owner Code (STC) 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 References to NGET have been replaced by NGESO, where relevant, throughout the STC Sections and Schedules in order to ensure the System Operator and Transmission Owner obligations are clear.











This Final Modification Report has been prepared in accordance with the terms of the STC. An electronic version of this document and all other CM069 related documentation can be found on the National Grid website via the following link:

<https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code/modifications/national-grid-legal-separation-1>

At the STC Panel meeting on 29 August 2018, the Panel members unanimously recommended that CM069 should be implemented.

The purpose of this document is to assist the Authority in making its determination on the proposed implementation of CM069.

	<b>High Impact:</b> None
	<b>Medium Impact</b> None
	<b>Low Impact</b> National Grid, Scottish Power Transmission, SHE Transmission, Offshore Transmission Owners

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## Timetable

STC Modification Proposal tabled at the STC Panel	25 April 2018
Panel agreed standard governance route	25 April 2018
Issue Industry Consultation for 20 Business days	31 May 2018
Industry Consultation Closes	28 June 2018
Issue draft STC Modification Report to Industry and Authority for 5 Working days	9 July 2018
Panel to agree Final STC Modification Report	29 August 2018

Final STC Modification Report issued to the Authority	1 November 2018	
Indicative Authority Decision	6 December 2018	
Implementation	1 April 2019	

## Proposer Details

<b>Details of Proposer:</b> (Organisation Name)	NGET
Capacity in which the STC 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)	STC Party
<b>Details of Proposer's Representative:</b>  Name: Organisation: Telephone Number: Email Address:	Bec Thornton NGET 07887 822443 <a href="mailto:Bec.thornton@nationalgrid.com">Bec.thornton@nationalgrid.com</a>
<b>Details of Representative's Alternate:</b>  Name: Organisation: Telephone Number: Email Address:	John Martin NGET 07794 050359 <a href="mailto:John.martin2@nationalgrid.com">John.martin2@nationalgrid.com</a>

**Attachments (Yes):**

STC Section A – Applicability of Sections and Code Structure  
STC Section E – Payments and Billing  
STC Section F – Communications and Data  
STC Section H – Dispute Resolution  
STC Section I - Transition  
STC Section J – Interpretation and Definitions  
STC Section K – Technical Design and Operational Criteria and Performance Requirements for Offshore Transmission Systems

STC Schedule 1 – Accession Agreement  
STC Schedule 3 – Information and Data Exchange Specification  
STC Schedule 5 – NGET Connection Application  
STC Schedule 6 – NGET Modification Application  
STC Schedule 7 – System Construction Application  
STC Schedule 8 – TO construction Offers  
STC Schedule 9 – TO Construction Terms  
STC Schedule 10 - Charges  
STC Schedule 11 – TEC Exchange Rate Applications  
STC Schedule 12 – TO TEC Exchange Rates  
STC Schedule 13 – NGET Requests for Statement of Works  
STC Schedule 15 – Transmission Interface Agreement

For information:

1. Sections B, C, D and G will be the subjects of separate Modification Proposals each to be submitted to the STC Modification Panel in parallel to this one;
2. There is no requirement for Schedule 2 to be modified and hence has been omitted from this Modification Proposal;
3. A Modification Proposal for Schedule 4 will be submitted by the JPC;
4. Schedule 14 of the STC is not used and hence has been omitted from this Modification Proposal.

**Impact on Core Industry Documentation.**

*Please mark the relevant boxes with an “x” and provide any supporting information*

<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 upon other industry codes, other proposed code modifications are being simultaneously raised to other industry codes (Grid Code, CUSC, BSC, Distribution Code, DCUSA, SQSS) as a result of creating a legally separate system operator.

## 1 Summary

This document contains the responses to CM069 Industry Consultation that was issued on 31 May 2018 for 20 Working days. The Draft Final Modification Report will be published and issued to the STC Panel for its determination at the STC Panel meeting on 25 July 2018 in accordance with Section B of the Governance Framework. <sup>1</sup>

## 2 Original Proposal

### Defect

The STC defines the relationship between the Transmission System Owners and National Grid as the National Electricity Transmission System Operator (NETSO).

On 1 April 2019 and following the legal separation of the System Operator and Transmission Owner within National Grid Group, the STC will no longer place the correct relevant obligations on those two National Grid new legal entities.

### What

It is proposed that the structure of the STC is 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

In order to implement legal separation, 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>2</sup>.

### How

On 22 September 2017, NGET published an open letter detailing its approach to modifying the relevant Industry Codes<sup>3</sup> confirming NGET's intention to raise one Code

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<sup>1</sup>[https://www.nationalgrid.com/sites/default/files/documents/34844-4\\_SECTION\\_B\\_V15.pdf](https://www.nationalgrid.com/sites/default/files/documents/34844-4_SECTION_B_V15.pdf) (clause 7.2.5.11)

<sup>2</sup> [Future Arrangements electricity System Operator Informal consultation on ESO Licence Drafting](#)

<sup>3</sup> NGET's Open Letter [Open Letter 22 Sept 2017](#)

Modification Proposal for each Industry Code. Subsequent work identified that 5 STC modification proposals were required. CM069 is the one of these.

The introduction of NGESO will be throughout the whole of the STC in its Sections and Schedules except Schedule 2, where there is no reference to NGET currently hence no modification is required.

This Modification Proposal CM069 excludes Sections B, C, D and G and Schedule 4 which will each be submitted as separated Modification Proposals.

### 3 Proposer's Solution

Following the joint statement issued by BEIS, Ofgem and National Grid on 12 January 2017 entitled "Statement on the future of Electricity System Operation"<sup>4</sup> and the subsequent consultation response by Ofgem on 3 August 2017 to the ESO separation<sup>5</sup>, changes to the STC were identified 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.

### 4 Governance

#### Justification for Standard Governance

On 25 April 2018, all STC Panel Representatives reviewed the STC Modification Proposal and unanimously agreed that CM069 should be progressed along the standard governance route firstly being issued to Industry Consultation for 20 working days and be submitted to the Authority for decision.

### 5 Industry Consultation Responses

One response was received to the Industry Consultation. The full response can be found under Annex 2 of this document. The respondent agreed that the proposal helps achieve legal separation of NGET's SO and TO functions. They stated that it better facilitates objectives (a) and (e) in fulfilling what will be a licence obligation and in promoting good industry practice, noting the principle of these changes is that there is no betterment.

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<sup>4</sup> Consultation and Decision documents [Future Arrangements Electricity System Operator](#)

<sup>5</sup> Ofgem's Consultation Response [Future Arrangements Electricity System Operator Ofgem Response](#)

## 6 Impacts and 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 NGENSO 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

## 7 Code Specific Matters

### Technical Skillsets

Not applicable for this Modification.

### Reference Documents

Please refer to Section 3 above for further information.

## 8 Relevant STC Applicable Objectives

Relevant 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.	

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.

## 9 Panel Recommendation Vote

On 29 August 2018, the STC Panel held their recommendation vote on CM069. The Panel unanimously agreed that CM069 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act’.

The views of the STC Panel were as follows:

### **National Grid**

National Grid voted that Modification Proposal CM069 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act’.

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

The OFTO group voted that Modification Proposal CM069 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act’.

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

(SHET) Scottish Hydro Electric Transmission voted that Modification Proposal CM069 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act’.

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

SP Transmission voted that Modification Proposal CM069 better facilitated STC applicable objective (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act’.



## 10 Implementation & Transition

Legal text for CM069 has been drafted using the baseline of April 2018 STC text and as the modification progresses through the governance process, the baseline text may need to be revised in light of Business as Usual modifications to the STC. The Code Administrator will ensure that the Proposer and Panel are aware of any Business as Usual Modification Proposals that may require subsequent modifications prior to 1 April 2019.

CM069 may require transitional changes to the STC and these will be discussed with the STC Panel and drafted into the legal text CM069 as and when the Proposer becomes aware of these.

CM069 together with the other four associated STC Modification proposals 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 on 1<sup>st</sup> April 2019 following The Authority's determination.

## 11 Legal Text

### Text Commentary

Due to the many places 'NGET' has been replaced with 'NGESO' throughout the STC, the proposed Legal Text for the relevant Sections and Schedules can be found via the following link:

<https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code/modifications/national-grid-legal-separation-1>

## 12 Annex 1- Legal Text

The legal text for CM069 can be found on National Grid's website via the following link:

<https://www.nationalgrideso.com/codes/system-operator-transmission-owner-code/modifications/national-grid-legal-separation-1>

## 13 Annex 2- Industry Consultation Response

Table 1: Response Proforma

<b>Respondent:</b>	<i>Rob Wilson</i>
<b>Company Name:</b>	<i>NGET</i>
<b>Please express your views regarding the Industry Consultation, including rationale. (Please include any issues,</b>	For reference, the Applicable STC objectives are:  (a) efficient discharge of the obligations imposed upon transmission

<b>suggestions or queries)</b>	<p>licensees by transmission licences and the Act</p> <p>(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission</p> <p>(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</p> <p>(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</p> <p>(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.</p> <p>(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;</p> <p>(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>	
<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<b>Do you believe that CM069 better facilitates the STC objectives? Please include your reasoning.</b>	<p>This modification helps to achieve legal separation of NGET's SO and TO functions. As such it better facilitates objectives (a) and (e) in fulfilling what will be a licence obligation and in promoting good industry practice.</p> <p>The principle of these changes is that there is no betterment.</p>
2	<b>Do you support the proposed implementation approach? If not, please provide reasoning why.</b>	Yes
3	<b>Do you have any other comments?</b>	No