

Modification proposal:	<p>System Operator ("SO") – Transmission Owner ("TO") Code ("STC"): National Grid Legal Separation - consequential changes to reference NGESO in STC:</p> <p>Section C and changes to Outage Planning Data Timescales (CM065) Section G and to place Nuclear Site Licence Provisions Agreement obligations on NGET for England and Wales (CM066) Section B and changes to STC Modification Panel membership to add NGESO as Member (CM067) Section D and to provide clarity that only Transmission Owners create Transmission Investment Plans (CM068) STC Sections & Schedules (CM069)</p>		
Decision:	The Authority ¹ directs these modification be made ²		
Target audience:	National Grid Electricity Transmission PLC, Parties to the STC, bidders and prospective bidders to the offshore tender process and other interested parties		
Date of publication:	06 December 2018	Implementation date:	01 April 2019

Background

A new Electricity System Operator (ESO) entity (NGESO) is being established within the National Grid (NG) Group that is legally separate from the transmission owner, NG Electricity Transmission (NGET). The separation will allow the new ESO to play a more proactive role in managing an increasingly flexible electricity system that can realise benefits for consumers. The separation of the system operator functions from NGET's licence will come into effect on 1 April 2019.

These proposals aim to modify the STC to recognise NGESO as a new legal entity, separate to NGET as a transmission owner (TO).

The modification proposals

The proposals seek to modify the STC to reflect the transfer of system operator functions to a legally separate entity from NGET to NGESO. Where relevant the proposals replace references to NGET with NGESO while other changes include adding new references to NGESO and NGET as appropriate. These changes look to place the appropriate obligations on the system operator (SO) and NGET TO in the STC.

The changes proposed by each modification are summarised below:

- CM065³ - This proposal aims to modify the structure of the STC to recognise NGESO as a new legal entity and as separate to NGET in its new role as a relevant transmission licensee. In addition to the above and as will be set out in Section C of the STC, Transmission Owners will be able to submit outage planning

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ CM065 found at <https://www.nationalgrid.com/sites/default/files/documents/CM065-%20STC%20Mod%20Prop%20Section%20C%20170418%20%282%29.pdf>

information to NGESO for timescales beyond 6 Financial Years. The relevant obligations of the System Operator will move to NGESO and NGET as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners.

- CM066⁴ – 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. In addition to the above, in Section G, NGET will need to have the Nuclear Site Licence Provisions Agreement (NSLPA) obligations placed on it for England and Wales. The relevant obligations of the System Operator will move to NGESO and NGET as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners.
- CM067⁵ – 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 NGET as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners. In addition to the above, the STC is to be modified to include NGESO as a member of the Modification Panel as the System Operator.
- CM068⁶ – 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. In addition to the above, in Section D Part One, it is proposed that NGESO is not required to develop and maintain Transmission Investment Plans. The relevant obligations of the System Operator will move to NGESO and NGET as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners, which includes Investment Plans.
- CM069⁷ – 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 NGET as a Transmission Owner will reflect obligations already in the STC that currently apply to Onshore Transmission Owners.

STC Modification Panel⁸ recommendation

The STC Modification Panel considered the draft Final Modification Report (FMR) at its meeting on 29 August 2018. The Panel considered that each of CM065, CM066, CM067, CM068 and CM069 would better facilitate the STC objective (a) and the Panel therefore recommended their approval.

Our decision

⁴ CM066 found at <https://www.nationalgrid.com/sites/default/files/documents/CM066-STC%20Mod%20Prop%20Section%20G%20170418%20%282%29%20-%20v2.0.pdf>

⁵ CM067 found at https://www.nationalgrideso.com/sites/eso/files/documents/CM067%20Final%20Modification%20Report_1%20November%202018%20.pdf

⁶ CM068 found at <https://www.nationalgrid.com/sites/default/files/documents/CM068-%20STC%20Mod%20Prop%20Section%20D%20170418.pdf>

⁷ CM069 found at <https://www.nationalgrid.com/sites/default/files/documents/CM069%20-STC%20Prop%20Form%20NGESO%20170418.pdf>

⁸ The STC Modification Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

We have considered the issues raised by the proposals and the FMR. We have considered and taken into account the responses of the STC Parties included in the FMR. We have concluded that:

- implementation of the modification proposals will better facilitate the achievement of the applicable STC objectives;⁹ and
- directing that the modifications be made is consistent with our principal objective and statutory duties.¹⁰

We do note however that there is currently an error within the legal text associated with CM069. The error is not a material inaccuracy and we understand it is an oversight, and therefore does not affect our approval of this modification. We do however expect this error to be corrected via FTSG modification as soon as is reasonably possible. The error and required correction is outlined below:

STC: – NGENSO - National Grid Electricity Transmission ~~Transmission~~ **System Operator** Limited (No.11014226) whose registered office is 1-3 Strand, London WC2N 5EH as the holder of the transmission licence granted, or treated as granted, pursuant to Section 6(1)(b) of the Act and in which section C of the standard transmission licence conditions applies.

Reasons for our decision

We consider the modification proposals will better facilitate STC objective (a), and have a neutral impact on the other applicable objectives.

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

We agree with the proposer and the Panel that these changes will better facilitate relevant objective (a), by attributing the appropriate obligations to NGENSO as System Operator. They will also set out the obligations on NGET under the STC as a TO. These modifications should therefore allow both licensees to meet the obligations imposed on them by their transmission licenses and the Act.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority hereby directs that modification proposal CM065, CM066, CM067, CM068 and CM069 be made.

Grendon Thompson

Head of System Operation - Systems & Networks

Signed on behalf of the Authority and authorised for that purpose

⁹ The Applicable STC Objectives are set out in Standard Licence Condition B12 (3) (a) to (f) of the Transmission Licence.

¹⁰ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.