

STC Panel

Wednesday 29 July 2020

WebEx



WebEx details

Meeting link (copy into web browser):

<https://uknationalgrid.webex.com/uknationalgrid/j.php?MTID=m824b7d9b3407bdaa0b7e08a6c0da0607>

Audio connection:

Telephone: 020 7108 6317

Access code: 130 963 3430

Password: YGrVz3SxN68

WELCOME

A wide-angle landscape photograph of a mountain valley. In the foreground, a grassy hillside slopes down. Several bright, glowing yellow-orange lines, resembling energy or data streams, curve across the middle ground from the left towards the right. In the background, large, rugged mountains are partially covered in snow. The sky is filled with dramatic, layered clouds, with a bright light source (the sun) breaking through near the horizon, creating a warm, golden glow across the scene.

nationalgridESO

Introductions & Apologies for absence

- **Apologies**

None

- **Alternates**

None

- **Presenters**

Alice McCormick

Luke Craddock

Matthew Paige –Stimson

- **Observers**

None

Approval of Panel Minutes

Approval of Panel Minutes from the
Meeting held 24 June 2020



Actions Log

Review of the actions log



Authority Decisions



Decisions Received since last Panel meeting

None

Decisions Pending

None

Other

Draft modifications to be discussed

- **Amendments to STCP13-1 Clause 3.2 -
Changes to TO Site Specific Charges
(Richard Woodward, NGET)**
- **MEA cost data provision
(Luke Craddock, NGESO)**

New modifications submitted



- PM0113 'Update STCP14-1 'Data Exchange of charge setting' to reflect CUSC Modification CMP306 'Align annual connection charge rate of return at CUSC 14.3.21 to price control cost of capital'

Matthew Paige –Stimson , **NGET**

Critical Friend Feedback – PM0113

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none">• Minor typographical amendments• Clarity around the use of RoR or WACC	<ul style="list-style-type: none">• Proposed amendments all incorporated

PM0113

**Update to
STCP14-1 'Data exchange of charge setting'**

to reflect and enable implementation of

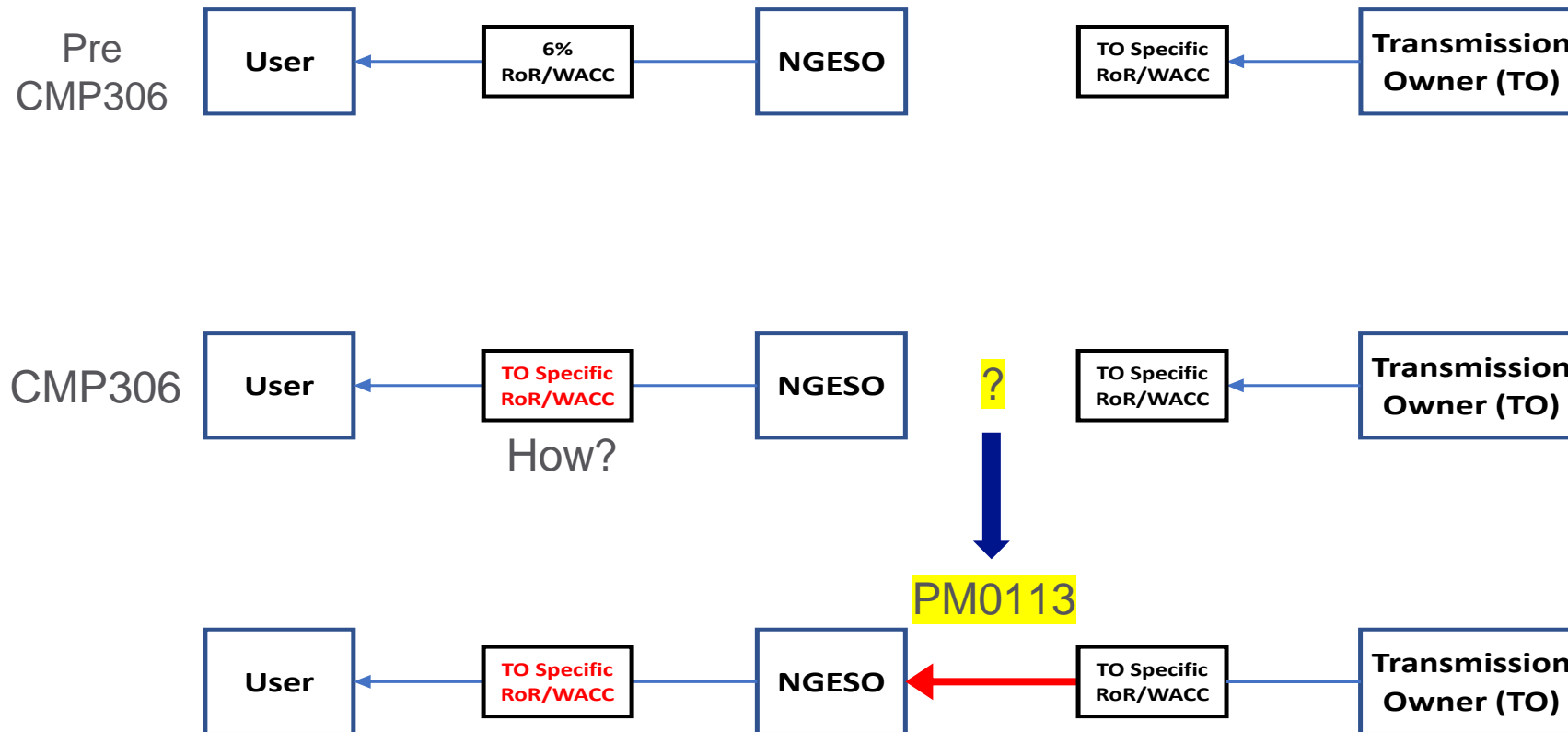
**Approved CUSC Modification CMP306
'Align annual connection charge tare of return
at CUSC 14.2.21 to price control cost of capital'**



Background

- CUSC CMP306 raised by Northern Powergrid on 20th Sep 2018
Approved by Ofgem on 21st May 2020.
for implementation on 30th Oct 2020.
- CMP306 requires NGESO Connection Charges to be based upon forecast TO Weighted Average Cost of Capital (WACC) pre-tax rates of return, replacing current 6%/7.5% returns specified in CUSC.
- CMP306 sets TO WACC rates for each coming charging year and those rates are not retrospectively revised within connection charging.
- No current STC obligation for TOs to pass their WACC rates to NGESO.
- CMP306 is not implementable, with consistency and commonality, without explicit obligations being placed upon TOs in the STC for TOs to calculate and convey their WACC rates.
- **STCP mod proposal PM0113 brought forward by NGET to enable a consistent implementable process to be delivered.**

PM0113 intent



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	Positive
(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	Neutral
(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	Neutral
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	Neutral
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	Neutral
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	Neutral

PM0113 STCP changes to enable CMP306 implementation

PM0113 proposes formal STC procedure obligations for;

1. TOs to calculate pre-tax TO WACC rate for RPI indexed assets
2. TOs to calculate pre-tax TO WACC rate for MEA indexed assets as pre-tax WACC rate for RPI indexed assets + 1.5%
3. TO sending pre-tax WACC rates to NGESO as part of October indicative connection charge setting
4. TO sending revised TO WACC rates to NGESO after November PCFM as part of January final charge setting
5. TO Charge Statements to include the pre-tax TO WACC rates and the calculation methodology and parameters used to derive them.

PM0113 Solution

The solution is to incorporate sufficient detail in STCP 14-1 to provide a clear and consistent basis for TOs to methodologically determine, update, publish and provide their WACC rates of return for use in NGESO connection charges.

The solution comprises the following changes;

1. Change to STCP 14-1 para 3.2.7 to explicitly require TOs;
 - a) to implement the pre-tax WACC rate calculation specified by CMP306, setting the exact same methodology out in STCP 14-1
 - b) to include calculated pre-tax WACC rates and calculation methodology in their Charging Statement
2. Change to STCP 14-1 para 3.2.9 to explicitly require TOs to communicate their WACC rates of return;
 - a) by 31st October as part of indicative charge setting, and
 - b) after November PCFM, by 25th January as part of final charge setting
 - c) after final charge setting, update their Charging Statements to publish the TO specific WACC rate for the coming year.

Timeline – Implementation

NGET proposes PM0113 approval at the next STC Panel, nominally July STC Panel

Implementation not later than 1st October 2020 to support TO specific WACC rate communication as part of the TO/SO indicative connection charge setting cycle for the 2021/22 charging year.

Governance & Panel Vote

Governance Rule

As detailed in Section B of the STC, paragraph 7.3.2.3 *‘ 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’* as this STCP proposes a new obligation on the ESO, this will require approval from Ofgem that this STCP proposal can be raised, stated in 7.3.4 *‘The Relevant Party Representatives may agree an amendment to an existing Code Procedure or creation of a new Code Procedure under this paragraph 7.3 despite the prohibition in sub-paragraph 7.3.2.3 only where the Authority has notified the Relevant Party Representatives in writing that they may do so.’*

Modification Route

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 and implemented on 30 October 2020.

Panel vote

The STC Panel must approve that the change would better facilitate the STC Applicable Objectives.

Potential Future Modifications and impacts of other modifications

European Network Code Impacts – Rob Wilson

Significant Code Review – Jonathan Coe

Force Majeure – All

Reports from Sub-Committees

Joint Planning Committee (JPC) – Nicola Bruce

**Network Access Policy Workgroup (NAP) – Milorad
Dobrijevic**

**Transmission Charging Review Group (TCRG) – Richard
Woodward**



Forward Plan Update/Customer Journey)

(January, March, May, July, September, November)



None



AOB

TSO Issues
TNUoS Cashflow Timing Risk

Date of next meeting

Wednesday 26 August 2020

Modification Submission date – 11 August 2020

Panel Papers Day – 18 August 2020

Close

