

STC Panel

Wednesday 30 September
2020

Microsoft Teams Meeting

Audio connection:

Telephone: +44 20 3443 6278

Conference ID : 506 585 952#

WELCOME



nationalgridESO

Introductions & Apologies for absence

- **Apologies**

None

- **Alternates**

None

- **Presenters**

Mike Oxenham

- **Observers**

Rashpal GataAura

Approval of Panel Minutes

Approval of Panel Minutes from the
Meeting held 26 August 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

- **None**

New modifications submitted



- PM0116 *'Amendments to STCP18-1 to incorporate Interactivity process*
- Neil Bennett, SHE Transmission

Critical Friend Feedback – PM0116

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none">• Minor typographical amendments• Further information on background of modification	<ul style="list-style-type: none">• Proposed amendments all incorporated

Interactivity Impact on STC



Scottish & Southern
Electricity Networks

Current Approach

- Interactivity- Interactivity occurs where a TOCO due to be made would be affected by the terms of an outstanding unsigned TOCO.
- Interactive queue determined by their clock start date
- Only once an offer is sent to the customer can it be deemed as interactive
- Moratorium period of 5 working days
- After this, if both acceptances came in on same day-1st in queue wins
- Apart from this, whoever sends in the signed acceptance 1st , wins.
- Customer who is unsuccessful will be given new clock start date.

Open Networks Project

- As part of the wider Open Networks Project, the Open Networks workstream 2 was set up to ensure there is a consistent interactivity process across Network companies
- In July 2019 the ENA Working group presented a 'minded to' position for Interactivity (the Conditional Interactivity approach) in a published ENA Consultation
- The responses were significantly in support of the proposal for all Network Companies to adopt the Conditional Interactivity process.
- The working Group has developed the principles and processes for Conditional Interactivity and drafted a Guide.

Proposed approach

- The application that is first in the interactive queue has first refusal on the capacity- This is an “Unconditional” offer
- All other offers are ‘Conditional’ and depend on some or all earlier Offers **not** being accepted
- Applicants will be given early warning that they may become interactive
- No moratorium period – Interactive Offers issued with 30 days validity period
- Unsuccessful offers who have accepted will be given opportunity to retain their queue position

Proposed approach

- The Unconditional Offer may have already been issued (i.e. with standards terms and validity period) when it becomes Interactive. The validity period is reduced to 30 days where more than 30 days remain (no change if fewer than 30 days are).
- Otherwise the Unconditional Offer is issued with 30 working days.
- For the avoidance of doubt, **no extension will be provided to the validity period on any Interactive Quote**

Overview of Changes

- All of the 18 series of STCPs were considered but only 18-1 was viewed to be impacted
- For clarification purposes, some new definitions were inserted, defining interactivity as well as unconditional and conditional offers
- A new clause regarding early warning, whereby, where possible, the TO will give NGESO an early indication that a scheme may be interactive and therefore allowing NGESO the opportunity to warn the end User
- New clauses relating to notifications to the affected parties with regards to reductions in acceptance timescales and what happens with the remaining conditional offers following this.

Implementation timescales

- Network companies have agreed that they will implement these by the end of December/beginning of January.
- Propose the modification be subject to self-governance and proceed directly to consultation.
- Unless there are any objections, propose to move to vote in the September Panel with the view to implement on 31st December 2020

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 31 December 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**

Transmission Charging Review Group (TCRG) – Terms of Reference

Panel Approval



Forward Plan Update/Customer Journey)

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



No Updates



AOB

**Early Competition Plan – Mike Oxenham
(National Grid ESO)**



Early Competition Plan

Phase 2 Consultation Overview

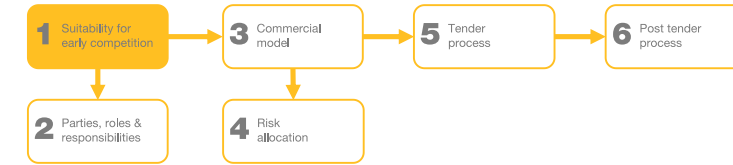
Early Competition Plan

- Ofgem asked the ESO to deliver an Early Competition Plan by end of February 2021
- The Early Competition Plan will:
 - describe an end-to-end process of how early competition may work
 - set out how models for early competition could be implemented
 - outline the roles and responsibilities of all parties in the proposed end-to-end process
- Our Phase 2 consultation (which focuses on the proposed end to end process) closed on 14 August 2020
- This presentation provides an overview of what we proposed in our Phase 2 consultation
- We are now reflecting on consultation feedback and planning further stakeholder engagement for Phase 3
- Phase 3 will include further thinking on how the industry codes could be impacted by the implementation of early competition as well as the associated timescales and processes for future code modifications

Early Competition Model



We are seeking views on our proposed process and criteria for determining whether to compete projects



Drivers of network needs

Boundary reinforcements covered in this consultation. Other drivers explored in next consultation

Process

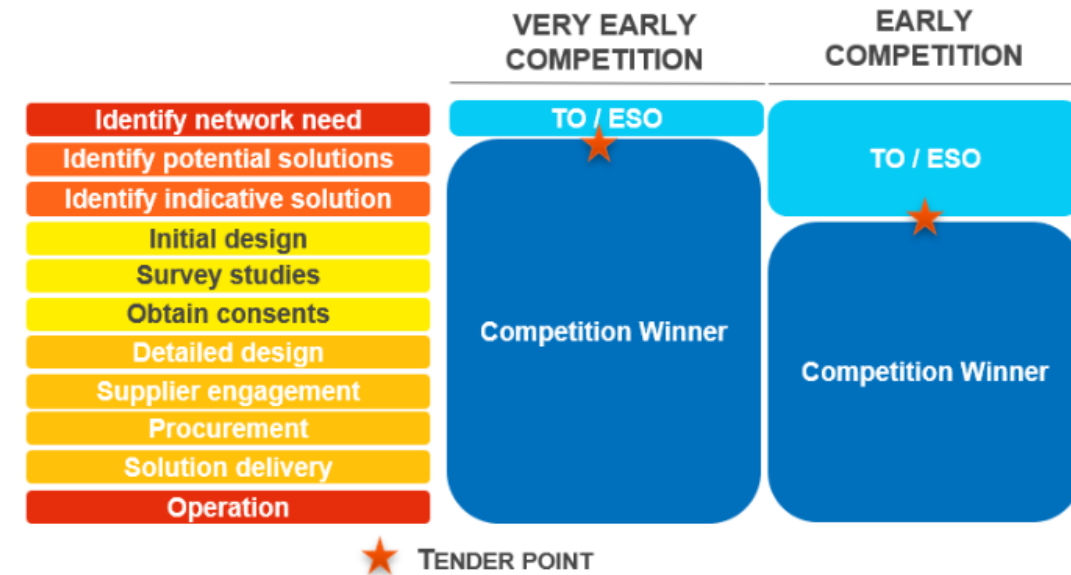
Launch tender at 'early' point (after indicative design developed through NOA process)

But.... **begin market engagement 'very early'** in order to ensure the indicative design considers as broad a range of options as possible.

Criteria

Propose further exploration of potential for **no minimum value threshold** – instead a **CBA** undertaken on individual projects

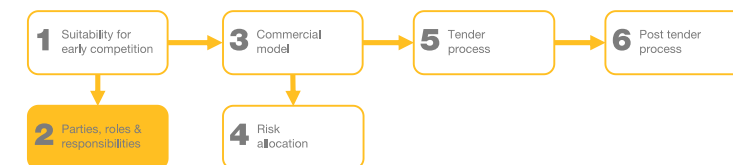
Also propose to consider market appetite, certainty, new and separable



We are consulting on which roles, responsibilities and parties would be best to facilitate early competition

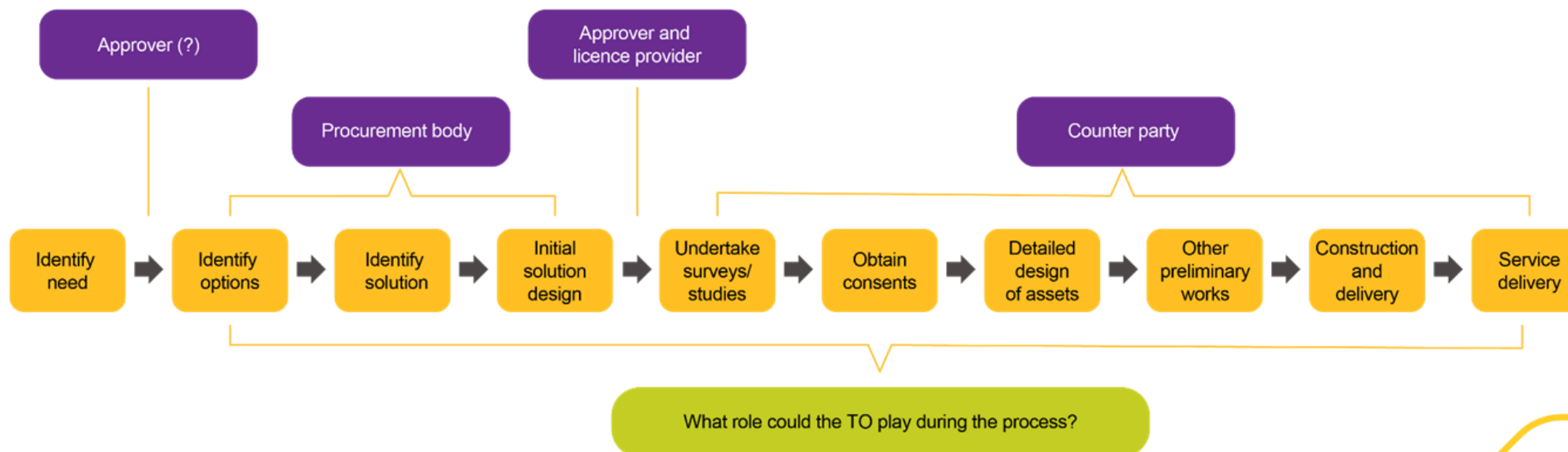
Parties

- ESO, Ofgem and the potential of a third party
- Incumbent TOs
 - TOs will bid into the same procurement process
 - Subject to the same post tender arrangements as other bidders, including receiving a revenue stream and adhering to any cost change mechanisms developed for the process

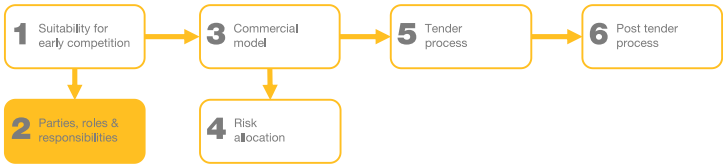


We are seeking views on whether TO's should participate in competitions through the same process as other bidders and what needs to be in place for this to happen.

We have identified 4 key new roles in early competition



We are seeking views on these roles and which entities would be best placed to fulfil each new role



Procurement Body

The role could be carried out by:

nationalgridESO

Or

ofgem

Or



Approver

These entities could carry out these roles:

nationalgridESO

Or

ofgem

Or



This role could be shared across two separate entities

Licence provider

The power to issue a Licence sits with:

ofgem

We do not envisage any other party would be more appropriate to undertake this role

Counterparty

This role is split by transaction:

- Licence

ofgem

- Contract



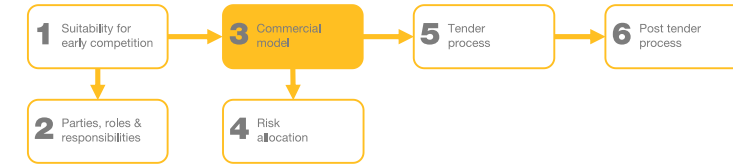
Or nationalgridESO

- Payment



Or nationalgridESO

We are seeking views on the revenue model, the revenue duration and the end of revenue period arrangements



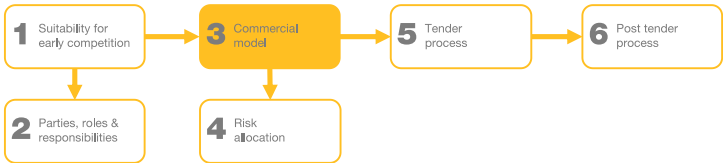
We propose that:

- Successful bidders are awarded an indexed tender revenue stream for up to a maximum period of 45 years
- This tender revenue stream will be set based upon the expected duration of the tendered network needs
- A revenue period extension mechanism will be required where a need and technical asset life remains

We are seeking views on the commercial model, cost assessment process and debt competition

We propose that:

- Underlying costs remain indicative at tender award and become fixed via a post preliminary works cost assessment process
- Overheads and margins are fixed at tender award
- The cost of equity is fixed at tender award
- The cost of debt remains assumed at tender award and becomes fixed via a post preliminary works debt competition



Post-prelims cost assessment with debt competition			
1. Underlying costs	I	X	
2. Overheads/margins	X		
3. Equity cost	X		
4. Debt cost	A	X (FC)	

Key:

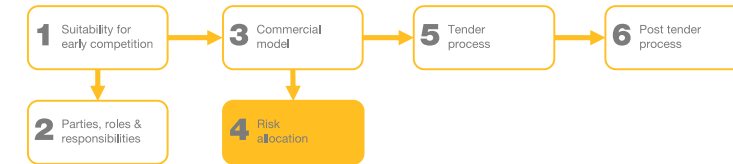
I	stage at which bidder provides indicative cost
A	stage at which procuring authority provides an assumption
X	stage at which bidder is committed to a cost item
(FC)	financial close for any third party debt

We are seeking views on risk and risk allocation

Key risks which we start to consider in the consultation are as follows:

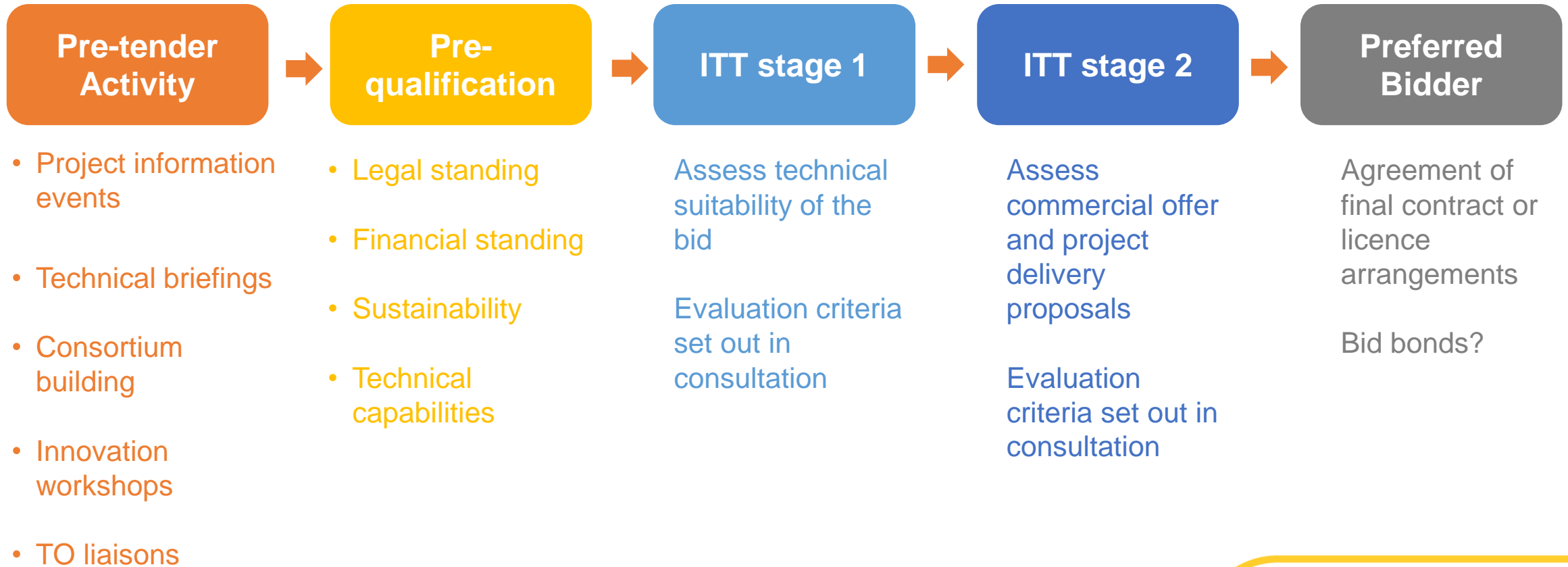
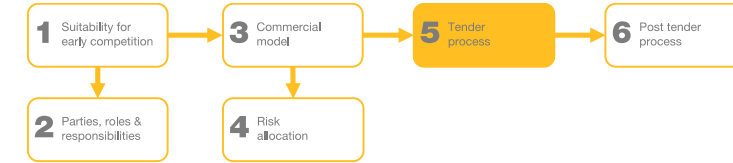
Risk	Bidders	Shared	Consumers
Change in need			X
Preliminary Works e.g. consents		X	
Debt		X	
Refinancing		X	
Commissioning	X		
Decommissioning	X		

Any risk transfer from bidders to consumers will need to be proportionate and be expected to provide a benefit to consumers



We expect any shared risks in the preliminary works stage will be linked to the cost assessment process

We are seeking views on our proposed tender process



We are seeking views on whether the proposed list of network related information is adequate to develop a tender proposal?

List of data

System Requirement Form (pt A)

Required and expected boundary capability

ETYS models

Circuit information over 10 years

Network modelling

Software to model solutions

Study guidelines

Assumptions to be used for modelling

Land

Info held by ESO and TO's

CBA tool

Bidder can run own indicative cost benefit

Key messages

Technology agnostic

Support development of network and non-network solution

Access

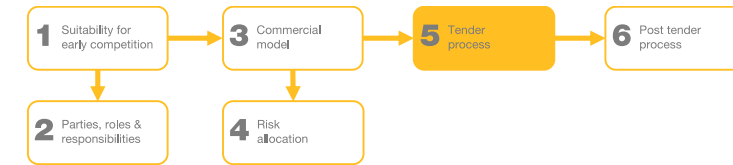
For bidders not signed up to STC, non-disclosure agreements required before access supplied and supplied models will have encrypted core data

Feedback to date

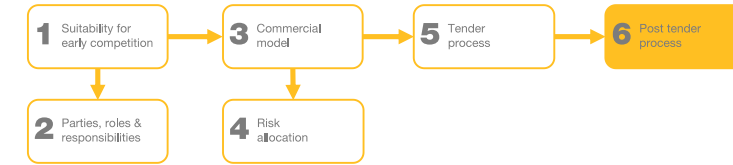
Proposed list of information and access measures is appropriate

Areas for further exploration

Pre-submission review; Post Award access to detailed technical information



We are seeking views on payments, incentives and decommissioning arrangements

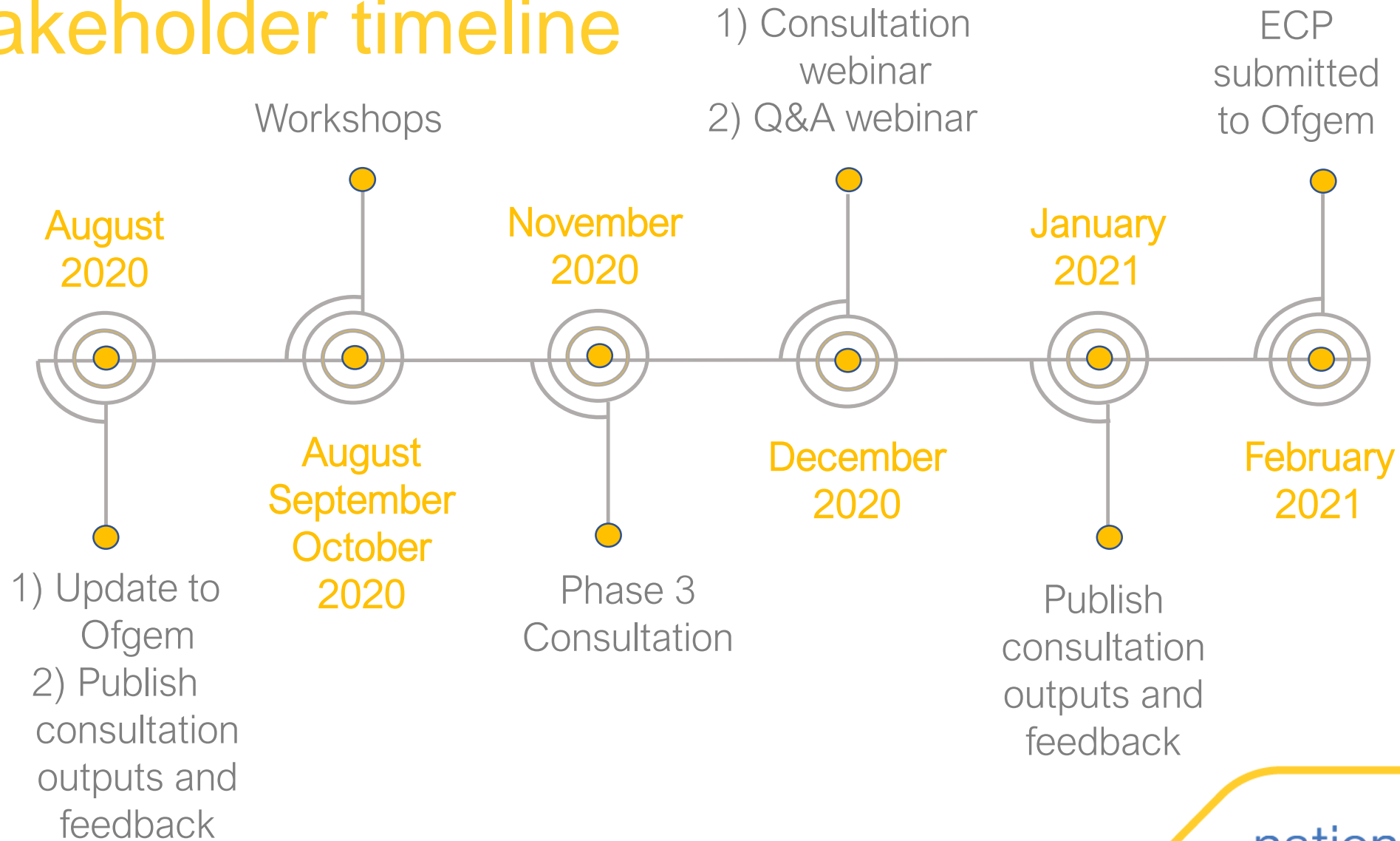


We propose that:

- The tender revenue stream will commence upon solution commissioning but that there is also the potential for earlier milestone-based payments for preliminary works
- There will be an availability based operational incentive, as well as potential operational incentives related to environmental and timely connections performance
- The tender revenue stream includes decommissioning costs and there will need to be associated securities

The preferred bidder will be provided with a licence or contract (as appropriate) so they can deliver and operate the successful solution for the tendered revenue period

Stakeholder timeline



Next steps

- We are holding further engagement workshops in September 2020 to feed into our ongoing model development.
- Our Phase 3 consultation is expected to be launched in November 2020.
- If you have any comments or questions you can contact us in the meantime.

Box.earlycompetition@nationalgrideso.com





Your questions

Date of next meeting

Wednesday 28 October 2020

Modification Submission date – 13 October 2020

Panel Papers Day – 20 October 2020

Close

