

STC Panel

Wednesday 28 April 2021

WELCOME



nationalgridESO

Introductions & Apologies for absence

- **Apologies**

- None

- **Alternates**

- None

- **Presenters**

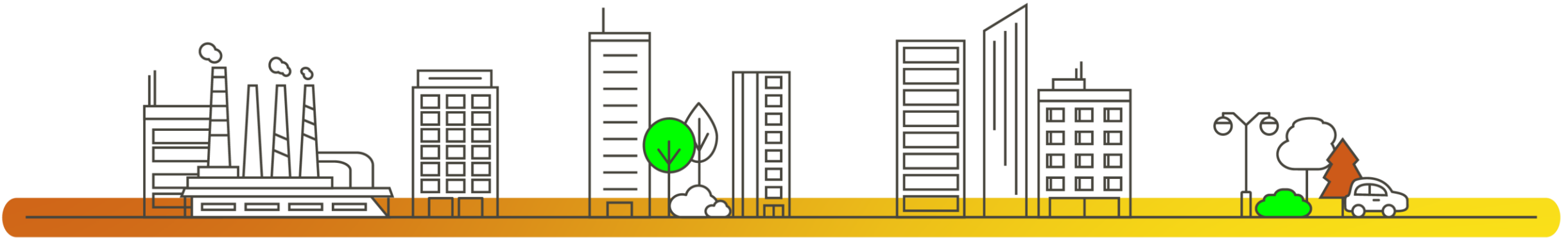
- Matt Baller
- Jonathan Coe

- **Observers**

- Joel Matthews
- Paul Smillie
- Trisha McAuley

Approval of Panel Minutes

Approval of Panel Minutes from the Meeting held
31 March 2021



Actions Log

Review of the actions log



Authority Decisions

Decisions Received since last Panel meeting

None

Decisions Pending

None

New modifications submitted



- **CM076 “STCP changes to reflect the terms of the UK’s departure from the EU”**



CM076

STC changes to reflect the terms of the
UK's departure from the EU

Matt Baller National Grid ESO

Background to CM076 'Brexit' mod

- **Brexit 'no deal' mod raised by the ESO in February 2019:** CM072 'STC changes in the event the UK leaves the EU without an agreement'. It followed the self-governance route and a CAC was completed in November 2020. Equivalent mods were also raised for CUSC and Grid Code.
- **The proposal was to modify existing references to EU Regulations** to ensure that the STC considers any applicable provisions in the relevant Statutory Instruments prepared under the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020). It also updated other definitions and references relating to the relationship between the UK and the EU.
- **Brexit 'no deal' mod withdrawn by the ESO in January 2021** in light of the UK-EU Trade and Cooperation Agreement (TCA) that was reached on 24 December 2020. The transition period ended at 11pm on 31 December 2020, the UK left the EU single market and customs union and EU law that was not retained ceased to apply to the UK.

Background to CM076 'Brexit' mod

- **The ESO is now raising a new mod to cover the 'deal' outcome.** The TCA does not outline in detail the relevant arrangements that will apply regarding the STC. In the absence of further information we propose updating the STC now to correct content that became out of date at 11pm on 31 December 2020.
- **Ofgem support raising this mod now.** If further modifications are required in the future to outline additional post-Brexit arrangements, we will raise them at the appropriate time.
- **The legal text is the same as it was in the 'no deal' mod** as the TCA requires no further changes to be made to the STC arrangements from January 2021.
- **RECOMMENDATION TO PANEL:** Proceed via self-governance route

Critical Friend Feedback – CM076

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none">• Acronyms inserted for clarity	<ul style="list-style-type: none">• Proposed amendments all incorporated

Timeline for CM076 – (Self Governance (Panel decision) and Code Administrator Consultation) 15 working day consultation

Milestone	Date	Milestone	Date
Modification presented to Panel	28 April 2021	Final Self Governance Modification Report issued to Panel to check votes recorded correctly (5 working days)	1 July 2021
Code Administrator Consultation (15 working days)	4 May 2021 to 25 May 2021	Appeals Window (15 working days)	5 July to 5pm on 26 July 2021
Draft Final Self Governance Modification Report issued to Panel (5 working days)	22 June 2021	Implementation Date (5 working days after closure of Appeals window)	3 August 2021
Panel undertake Draft Final Self Governance Modification Report determination vote	30 June 2021		

Self-Governance Criteria

Self-Governance

The modification is unlikely to discriminate between different STC Parties and is unlikely to have a material effect on:

- Existing or future electricity customers;
- Competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity,
- The operation of the National Electricity Transmission System
- Matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies
- The STC Panel's governance procedures or the STC Panel's modification procedures

CM076 - the asks of Panel

- Do you agree that the CM076 meets the Self-Governance Criteria (Panel decision) rather than Standard Governance (Ofgem decision)?
- Do you agree that this can proceed to Code Administrator Consultation – to be issued on 4 May 2021?

Draft modifications to be discussed

DRAFT

- **TNUoS Revenue Risk Transfer (STCP change)**



TNUoS Cashflow Risk Transfer STCP Change

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Refresher - What is it?

On 9 July 2020, an Ofgem decision concluded that the TNUoS collection cashflow timing risk should be reallocated from NGESO to onshore TOs.

This is because the difference between allowed and collected revenues can be more material in relation to the size of NGESO contrasted with the onshore TOs.

The key change is that NGESO will now pay onshore TOs only when monthly TNUoS invoices have been issued.

Further Background

- Currently onshore TOs are paid allowed revenues, monthly, as per their price controls
- NGESO recovers TNUoS revenues on behalf of TOs throughout the year
- But recovery/invoicing in Y1 is based on forecasts of what we expect to collect
- Therefore NGESO is exposed to the difference between allowed (paid) and actual collected revenues until reconciliation period(s)
- This modification ensures NGESO pays onshore TOs only once TNUoS charges have been invoiced
- This move shifts the main cashflow risk to the onshore TOs
- It necessitates a tweaked NGESO \leftrightarrow ONTO timeline to ensure TOs have sufficient time to raise the invoice
- “Bad debt” risk e.g. unpaid NGESO invoices, remains with NGESO

What's Changing?

Invoicing/Payment

- NGESO will inform onshore TOs on 1st working day monthly of the amount payable to them
- Onshore TOs will then invoice NGESO on this basis
- Payment still falls on 15th calendar day as normal

Quarterly Information Provision

- To facilitate enhanced visibility for TO forecasting

Enhanced Monthly Data Exchange

- To track historical changes more clearly (reconciliation visibility)

Minor Housekeeping Changes

- Tweaks to some outdated processes e.g. how invoices are issued

Status Update (as of 19/04)

Proposal/Text

- Draft only for information
- Draft proposal/text with TOs for review
- TOs feeding back on latest iteration during w/c 19/04
- NGESO aiming to circulate updated version by 5 May
- Final mod to be submitted to Panel for 15 June
- STC Panel vote 30 June

Solution

- NGESO & TOs aligned on most fundamentals but pending NGESO and subsequent TO legal teams' review
- Further material changes highly likely
- Proposal today is an FYI for familiarity
- Further verbal updates to be provided at Panel

Current Intended Timeline

DATE	MILESTONE	Notes	Working Days Gap
5-Mar	Formal feedback received by TOs on draft to date	TO Action	-
11-Mar	Interim feedback discussion	Meeting	4
1-Apr	Updated proposal/legal text issued	NGESO Action	11
21-Apr	Formal feedback received by TOs on draft to date	TO Action	12
28-Apr	Discussion placeholder	Meeting	5
5-May	Updated proposal/legal text issued	NGESO Action	4
13-May	Formal feedback received by TOs on draft to date	TO Action	10
20-May	Discussion placeholder	Meeting	5
28-May	Final legal text circulated	NGESO Action	6
15-Jun	Final mod submitted to Panel for review	NGESO Action	12
30-Jun	STC Panel Final Vote	Panel	11
1-Jul	Change Implemented		

Reference Materials

Ofgem Consultation:

https://www.ofgem.gov.uk/system/files/docs/2019/12/tnuos_cashflow_timing_consultation_002.pdf

Ofgem Decision:

https://www.ofgem.gov.uk/system/files/docs/2020/07/tnuos_decision_letter_final_0.pdf

Ofgem Code Modification Decision Dates

Jonathan Coe

Ofgem update

Code modification decision timings
Code governance



OFG1161

Ofgem Codes Team
April 2021

A: Code modification decisions

We have reviewed our Key Performance Indicator (KPI) in making code modification decisions and intend to adopt a new approach for a trial period.

B: Code governance

We welcome the different initiatives we have seen across codes already, and set out areas in these slides where there may be scope for the industry to deliver proportionate, beneficial change ahead of more fundamental reform.

The Authority makes decisions on code modifications where there is a material impact.

The assessment of materiality is conducted against a criteria set out in relevant licence conditions.

In making decisions we have adopted a self-imposed key performance indicator (KPI). We report our performance against this KPI in our annual report.

Our current KPI for making code modification decisions is to issue 90%:

- of our decisions within 25 working days (after we receive the Final Modification Report (FMR) or the closing date of our IA/consultation), and
- where relevant, to issue an IA or consultation 3 months after we receive the FMR.

Overall we don't think the KPI is providing the benefits around transparency in our decision making approach, or providing the certainty to industry that it could.

We are trialling an alternative approach.

We propose to take a new approach where each modification is assessed and an expected decision date set.

The expected decision date will be based on the importance, urgency and impact of the modification – taking into account our strategic priorities.

We'll publish these dates on our website. If they are missed we'll aim to provide a new date.

We expect to continue publishing our performance on making code modification decisions, with more granular detail.

Our intention is that this new process will:

- Give more transparency on when we will aim to make decisions.
- Still allow our performance to be visible by continuing to report on decisions.

We plan to do this from April for a six month trial period.

Where we are:

In 2019 we issued a joint consultation with BEIS on Reforming the Energy Industry Codes. This consulted on options for a fundamentally different approach to the governance of the industry codes.

We received 66 responses to this and a summary of these was published on 14 December 2020. The full set of responses has also been published on our website.

At the same time, government published an energy white paper. The white paper includes a commitment to ensure that the institutional arrangements governing the energy system are fit for purpose for the long term.

The white paper also includes a commitment to consult in 2021 on organisational functions including code governance.

Industry Initiatives:

Code Administrators and industry are already taking forward changes to make existing arrangements work better and we support change that delivers positive improvements to the existing governance arrangements.

The next few slides recognise this work and gives our thoughts on these.

We see code modernisation encompassing a range of actions, including:

- rationalisation
- equality and diversity actions
- digital transformation

Code Rationalisation	Comments
<ul style="list-style-type: none"> • In the 2019 consultation with BEIS we said that the complexity and length of the codes could act as a barrier alongside the resources needed to engage in the process. • We believe there is scope for code rationalisation to take place which will not impact the effect or meaning of the codes. • We don't expect this would be of significant scale or materially impact the effect or meaning of the codes. • However, removing unnecessary and redundant content could help codes be clearer and more accessible. 	<ul style="list-style-type: none"> • One possible way forward is Code Administrators exploring this task, working closely with their panels and code parties to identify proportionate proposals industry could raise. • If taken forward on this basis we'd expect, for example, these changes would not be material and may follow a self-governance (SG) or fast track SG governance path.

Equality and diversity	Comments
<ul style="list-style-type: none"> • In March 2019, we published our Diversity and Inclusion Strategy setting out our ambitions to build a diverse and inclusive workforce and to make our workplace culture more inclusive. • As part of this strategy, we committed to working with other organisations across the sector to improve diversity and inclusion. 	<ul style="list-style-type: none"> • We know that that diversity and inclusion is something industry and Code Administrators are taking steps to improve. • We encourage this work which includes initiatives to: <ul style="list-style-type: none"> ◦ remove gendered language in codes. ◦ ensure websites, publications and content aim to meet the latest accessibility standards, where possible, and are written in plain English. • We know too that seeking a wide range of views is also something Code Administrators and panels are mindful of, and we support this and encourage exploring activities to consider if, for example, there are opportunities to improve representation at decision making forums.
Digital transformation	Comments
<ul style="list-style-type: none"> • In the 2019 consultation, we noted that a number of Code Administrators were reviewing future plans to enhance code access on their websites. 	<ul style="list-style-type: none"> • We know that improving access to code documents through digitisation is something that many Code Administrators and panels have taken forward or are working on. • We agree that digitisation of the code documents could bring benefits to code parties by creating easily navigable and more intuitive sets of rules for parties to engage with and understand their obligations under the industry codes. • In doing this we encourage industry to look at the work being done to create an Ofgem Data Best Practice Guidance document. We have also published Digitalisation Strategy and Action Plan principles that refer to transparency and a consumer-centric approach to digitalisation activities. • We also see benefits in identifying opportunities for cross-code collaboration, including using either the CACoP Forum or the new Digital and Data Service Providers Forum to share best practice.

Improved cross-code working	Comments
<ul style="list-style-type: none"> • We approved the addition of Principle 13 (Code Administrators will ensure cross-code coordination to progress changes efficiently where modifications impact multiple codes) to CACoP in 2015. We have seen examples of effective cross-code working that have allowed modifications to progress smoothly. • Respondents to our Code Administrators Survey in 2019 commented that cross-code working is not always working effectively. • We agree, and like respondents believe that cross-code impacts are not always taken into account as modifications go through the change process. 	<ul style="list-style-type: none"> • We encourage Code Administrators to ensure the issue of cross-code interactions is consistently discussed with proposers and at work groups. • Where cross-code interactions are identified we expect Code Administrators to raise this at the earliest opportunity, either through the CACoP Forum or directly with the relevant Code Administrators, and to then follow the steps set out in Principle 13, where practicable. • We encourage Code Administrator(s), where necessary, to fully engage with, and commit appropriate resource to, the new Cross Code Steering Group, being introduced under the Retail Energy Code (REC).

We are working with BEIS on the issues set out in our July 2019 consultation and expect to consult further this year.

The reforms set out in our consultation propose significant change to the existing regulatory framework for gas and electricity markets. To achieve the aims set out we expect that implementation of reforms will take a number of years, and that the delivery of some elements may need to be staged.

We encourage Code Administrators and industry to continue to consider improvements to existing governance arrangements ahead of any future fundamental reform.

Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**

Potential Future Modifications and impacts of other modifications

Modifications Tracker – Jennifer Groome

European Network Code Impacts – Rob Wilson

Authority Update (SCRs/Energy Code Review) – Jonathan Coe

Reports from Sub-Committees

Joint Planning Committee (JPC) – Nicola Bruce

- TBC

Network Access Policy Workgroup (NAP) – TBC

- TBC

Transmission Charging Review Group (TCRG) – Richard Woodward

- TBC



Code Administrator Update

No update



AOB

RWO: Clarification on timely connection offers.

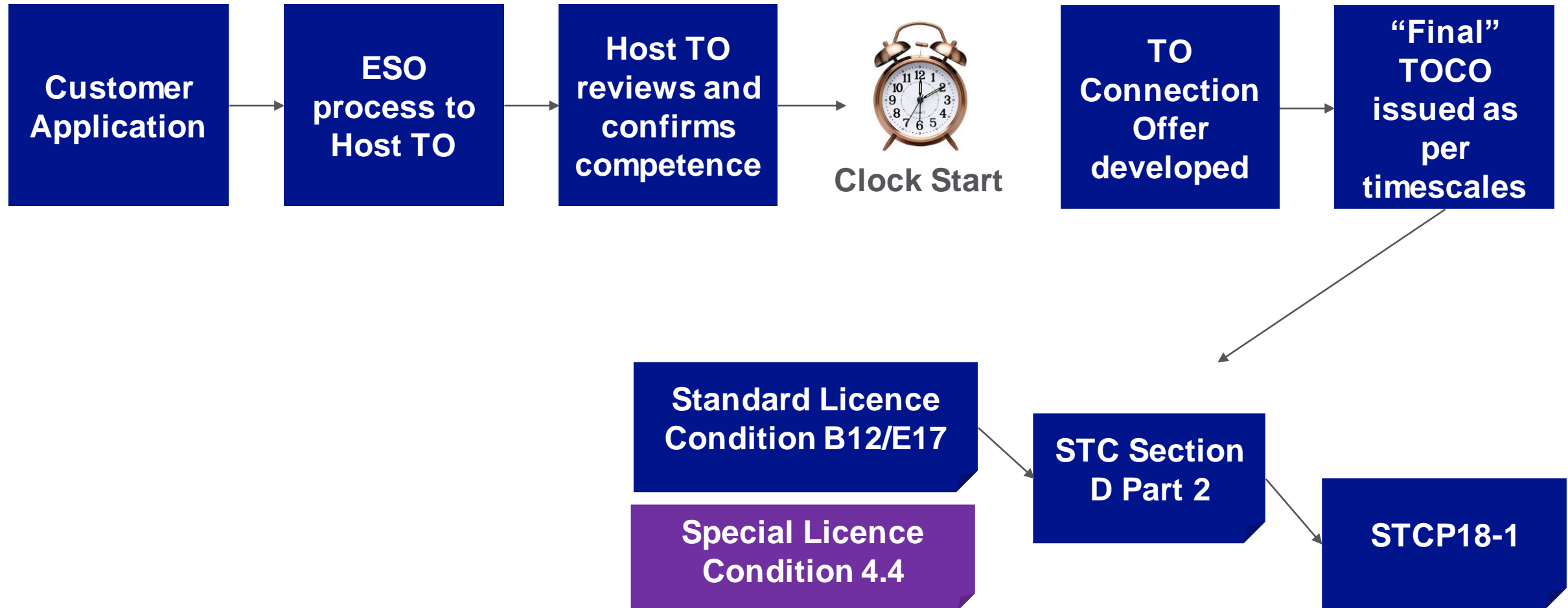
Connection Offer timescales in STC

Richard Woodward
April 2021

nationalgrid



High level connection application process



STC Section D Part 2 – 4.8 wording

*4.8 Subject to paragraph 4.3, a Transmission Owner which receives an **effective** NGESO Construction Application (other than an OTSDUW Build Application) under paragraph 2.2 above shall, unless otherwise agreed with NGESO or determined or directed by the Authority, submit a TO Construction Offer to NGESO as soon as reasonably practicable and, in any event, on or before the later of:*

4.8.1 three months less thirteen Business Days after the NGESO Application Date: and

4.8.2 where relevant, three months less fifteen Business Days after the Construction Assumptions Date, and, in the case of an OTSDUW Build Application, shall submit an OTSDUW Completion Report to NGESO 6 months prior to the proposed OTSUA Transfer Time, or such other date as the Offshore Transmission Owner and NGESO shall agree, and, in any event, by the OTSUA Transfer Time.

“NGESO Application Date” in respect of each Transmission Owner, the date on which such Transmission Owner receives an effective NGESO Construction Application or NGESO Request for a Statement of Works in relation to a Construction Project;

STCP18-1 wording

3.2.20.3 The Affected Parties' Lead Person(s) shall submit their respective **final TO Construction Offers** to the NGESO Lead Person **within 2 months + 14 calendar days** of the Clock Start Date by e-mail. The TO Construction Offer will be open for acceptance for a minimum of six months from the NGESO Application Date, unless an application for extension is agreed with the Authority.

Potential for ambiguity/interpretation

- **When is the point of ‘effectiveness’ determined for an NGESO Construction Application?**
 - Clock Start?
 - TO declaring competence?
 - Is this day 0 in the timeline or day 1?
- **Why is there a difference in the timeline between STC and STCP18-1, and does this matter?**
- **STCP18-1 vs STC 4.8 – “shall submit their respective **final** TO Construction Offers” - what constitutes a ‘final’ TOCO?**

Proposed next steps

- **NGESO and Onshore TOs form consensus on these aspects**
- **NGET raise a STCP change to apply them STCP18-1 ASAP; potential for STC mod though this should be avoided.**

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Date of next meeting

Wednesday 26 May 2021

Modification Submission date – 11 May 2021

Panel Papers Day – 18 May 2021

Close

