System Operator Transmission Owner Code (STC) Modification Panel

Consequential changes to the STC

resulting from the implementation of Electricity Market Reform

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An information paper by National Grid

Summary

DECC's October consultation document, "Electricity Market Reform: consultation on proposals for implementation" (the "**EMR ConDoc**"), flagged that Government (together with Ofgem, National Grid and Elexon) is assessing which existing licence conditions, industry documents and agreements may need consequential amendments as a result of the Energy Bill's provisions to introduce the Capacity Market and implement the Contracts for Difference ("**CfD**").[1]

It is anticipated that Government will consult on the proposed consequential amendments in early 2014, at which time interested parties will be invited to comment on the proposed amendments. This paper is to update Panel members and is intended to give the Panel a high-level overview of the types of changes that, based on the information published to date, may need to be made to the STC.

The Energy Bill includes provisions for the Secretary of State to modify licence conditions, industry documents, and related agreements, for the purpose of giving effect to the Capacity Market and CfD. It is expected that the consequential amendments to the STC will be effected under those statutory modification provisions.

Background

Details about the proposals for implementing Electricity Market Reform, including the EMR ConDoc, are available on Government's website: https://www.gov.uk/government/consultations/proposals-for-implementation-of-electricity-market-reform

"Consequential" changes are those changes that are required as a consequence of the substantive requirements of the Energy Bill, including The Electricity Capacity Regulations, The Electricity Capacity (Payment) Regulations, the Capacity Market Rules, The Contracts for Difference (Allocation) Regulations, The Contract for Difference (Supplier Obligation) Regulations, and the CfD Allocation Technical Framework.

Description

Broadly, it is currently anticipated that the consequential changes that may need to be made to the STC are expected to relate to change co-ordination.

Change co-ordination: It is conceivable that a change to the STC may impact on the CM Rules or, in relation to CfDs, the proposed Allocation Technical Framework. Accordingly, it is important that if the STC is amended, the STC change co-ordination arrangements facilitate the identification, co-ordination and implementation of a change to a relevant Electricity Market Reform document consequent on a modification to the STC. Hence, a small amendment may be made to the STC change co-ordination provision. Note that a similar provision is included in the Capacity Market Rules, whereby the administrator of the Rules is required to establish joint working arrangements for change co-ordination with each core industry document 'owner' to facilitate the identification, co-ordination, making and implementation of change to the core industry documents consequent on a modification to the Capacity Market Rules.

[1] See pages 29, 31 and 231.

Process for consequentials

This paper has been prepared on the basis of the Electricity Market Reform information that Government has published to date and on the basis of analysis that has been undertaken to date. If further information is published by Government, for example, the CfD Allocation Technical Framework, that may lead to further areas of consequential changes being needed. Also, given that Government's consultation on the proposals for the implementation of Electricity Market Reform does not close until 24 December 2013, it is also possible that further changes will be made to the Capacity Market and CfD key documents. In that case, it is possible that some more consequential amendments may be required.

It should be noted that as the consequential changes are being developed, consideration is also being given to the STC modifications that have been proposed and that are being progressed through the STC's usual modification process.

As set out in the EMR ConDoc, Government is also considering what consequential amendments may need to be made to the Grid Code, CUSC, Balancing and Settlement Code and other industry documents.

ConDoc Responses

As mentioned above, there will be an opportunity for interested parties to comment on the consequential changes to all industry documents when Government issues the relevant consultation document, which is anticipated to be in early 2014. However, if Panel members have any questions or comments in relation to the consequential amendments that may need to be made to the STC, these should be directed to Lucy Hudson (lucy.hudson@nationalgrid.com) by 20 December 2013. Please note that National Grid has no role or authority in relation to policy matters and cannot respond to any questions or comments that raise policy points. Policy points should be made in response to the EMR ConDoc.