

STC Modification Proposal Form

CM050a

1. Title of Modification Proposal

Code Governance Review (Phase 2): Self-governance and Appeals (including Recommendations)

2. Description of the Proposed Modification

Background

In November 2007, Ofgem initiated Code Governance Review (CGR Phase 1) which sought to address concerns that the existing code arrangements may be too complex and inaccessible to smaller market participants. Following initiation of CGR (Phase 1), Ofgem proposed to prioritise changes to the CUSC, UNC and BSC as most major policy reform is achievable through the Modification of these codes. Ofgem published their final proposals and a consultation on the proposed licence drafting on 31 March 2010. These changes were implemented into their respective codes at the end of 2010.

In April 2012, Ofgem announced their intention to initiate a Code Governance Review (CGR Phase 2) which would look at extending the arrangements introduced to the CUSC, UNC and BSC to the other codes. Following on from this, Ofgem published a consultation on their CGR (Phase 2) Proposals in September 2012.

Ofgem announced their CGR (Phase 2) final proposals on 27 March 2013. This second phase focused on extending the CGR conclusions to further industry codes, and included:

- Extending the scope of Self-governance across codes;
- Applying Significant Code Review procedures uniformly, allowing for holistic cross-code reviews; and
- Improving and aligning code administration practices

<http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Pages/GCR.aspx>.

Proposal

This Modification Proposal seeks to introduce into the STC, a new Self-governance process for those Modifications which are deemed to have non-material changes or impacts to the following:

- Customers
- Competition
- Security of Supply
- Sustainable Development

Where it is determined that a Modification Proposal will not have a material impact in line with the criteria set out in the Transmission Licence, the Self-governance route would expedite the process of implementing a Modification Proposal by not requiring the Authority to make a determination on that Proposal, instead leaving the decision to the STC Modification Panel (the "Panel")

The CGR (Phase 2) proposes increasing the scope of Self-governance as the benefits should make the industry code process more efficient, leading to the quicker implementation of beneficial changes, as well as enabling Ofgem to target its resource at matters which have a material impact upon consumers.

National Grid purposes amending the STC to insert the following process;

- (i) Where a Proposer has indicated that they would like the Modification Proposal to be considered to follow the Self-governance process, the rationale for this would have to be given within the Modification Proposal form. The Panel may still consider the Self-governance route for a Modification Proposal regardless of whether the proposer has indicated this on the proposal form.
- (ii) Where, in the view of the Panel, it has been decided that the Modification Proposal meets the Self-governance criteria; the Panel's decision would be documented within the minutes of the Panel meeting and a Headline Report would be distributed to all relevant parties as well as being published on the National Grid website no later than two days after the meeting. Only in the event that an Authority representative was not present at the meeting and/or the minutes were not available until some time after the meeting, would the Authority expect to be separately notified of the Panel's determination.
- (iii) The Panel may optionally decide to hold a Workgroup on the suitability of the Self-governance route.
- (iv) The Authority may veto the Self-governance decision at any time up until the Panel makes their final determination on the Modification Proposal. If the Self-governance decision is vetoed, then the Final Modification Report would be presented to the Authority for determination.
- (v) Up until the final determination, the Panel may withdraw the Self-governance statement, whereby the Final Modification Report would be presented to the Authority for determination.
- (vi) Following Industry Consultation on a Modification Proposal, the consultation responses would have to be submitted by the Panel secretary to the Authority at least seven calendar days before the final determination by the Panel, unless it has been deemed by the Authority that the Panel is exempt from submitting the consultation responses.
- (vii) The Panel would make a determination on whether to approve the Modification Proposal based on the assessment against the applicable STC objectives.
- (viii) The Panel would notify the STC Modification Panel Secretary of the determination who would subsequently inform the Industry of the Panel's determination.
- (ix) After the final determination by the Panel, the Modification should be implemented in accordance with the current STC process.
- (x) If the Panel cannot reach a 65% majority on a determination, the Self-governance Modification Proposal would be rejected and the Final Modification Report would be presented to the Authority for determination.

Appeals

- (xi) Up to and including 15 Business Days from the Panel determination, a party may appeal against the Panel determination on the Self-governance Modification Proposal. However, this appeal will be assessed based on whether it meets the grounds for appeal, which are:
 - The Modification does not better facilitate the achievement of a least one of the STC objectives.
 - The Modification Proposal is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.
- (xii) The appeals will be sent to the Authority to make a determination on the implementation of the Modification Proposal if required. A copy of the appeal would have to be sent to the STC Modification Panel Secretary who would notify the Panel and the rest of the industry.
- (xiii) The routes of appeal are as follows:
 - **Route 1:** The Authority decides to uphold the appeal and make a

- decision on implementation/non implementation or they uphold the Panel's original decision.
- **Route 2:** The Authority may refer the decision back to the Panel for consideration whilst retaining the Self-governance route or the Authority may veto the Self-governance decision in which case the Authority will make the final determination. In both cases, the Panel can make the same recommendation as originally presented to the Authority.

3. Description of Issue or Defect that Proposed Modifications seeks to Address

CA050a seeks to implement the Self-governance aspect of the CGR (Phase 2) final proposals and meet the new requirements under the modified electricity Transmission Licence.

4. Impact on the STC

Changes could be required to:-
 Section B - Governance;
 Section J - Interpretation & Definitions; and
 A new STC Procedure

5. Impact on other frameworks e.g. BSC, CUSC, Grid Code

None identified

6. Impact on Core Industry Documentation

None identified

7. Impact on Computer Systems and Processes used by STC Parties

None identified

8. Details of any Related Modifications to Other Industry Codes

None identified

9. Justification for Proposed Modification with Reference to Applicable STC Objectives

Amending the STC as described above will mean that the following objectives are better facilitated:

STC Objectives

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

The proposed changes to the STC will allow the transmission licensees to meet the new Self-governance obligations imposed upon them through the transmission licence which have resulted from the second phase of Code Governance Review.

(b) *development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;*

The proposed changes are neutral to this objective.

(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;*

The proposed changes are neutral to this objective.

(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;

The proposed changes are neutral to this objective.

(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC; and

The introduction of Self-governance will promote good industry practice by aligning the STC with other industry codes that utilise the Self-governance arrangements. Self-governance should also allow for a more efficient governance process by allowing the STC Modification Panel to make a determination on Modification Proposals that meet the Self-governance criteria.

(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system.

The proposed changes are neutral to this objective.

Details of Proposer Organisation's Name	National Grid Electricity Transmission plc
Capacity in which the Modification is being proposed (i.e. STC Party or other Party as designated by the Authority pursuant to STC section B7.2.2.1 (b))	STC Party
Details of Proposer's Representative Name Organisation Telephone Number Email Address	Damien McCluskey National Grid Electricity Transmission plc 01926 656034 damien.mccluskey@nationalgrid.com
Details of Representative's Alternate Name Organisation Telephone Number Email Address	Audrey Ramsay National Grid Electricity Transmission plc 01189 363633 audrey.ramsay@nationalgrid.com
Attachments (Yes): Appendix A: Self-governance Flow Diagram	

Notes:

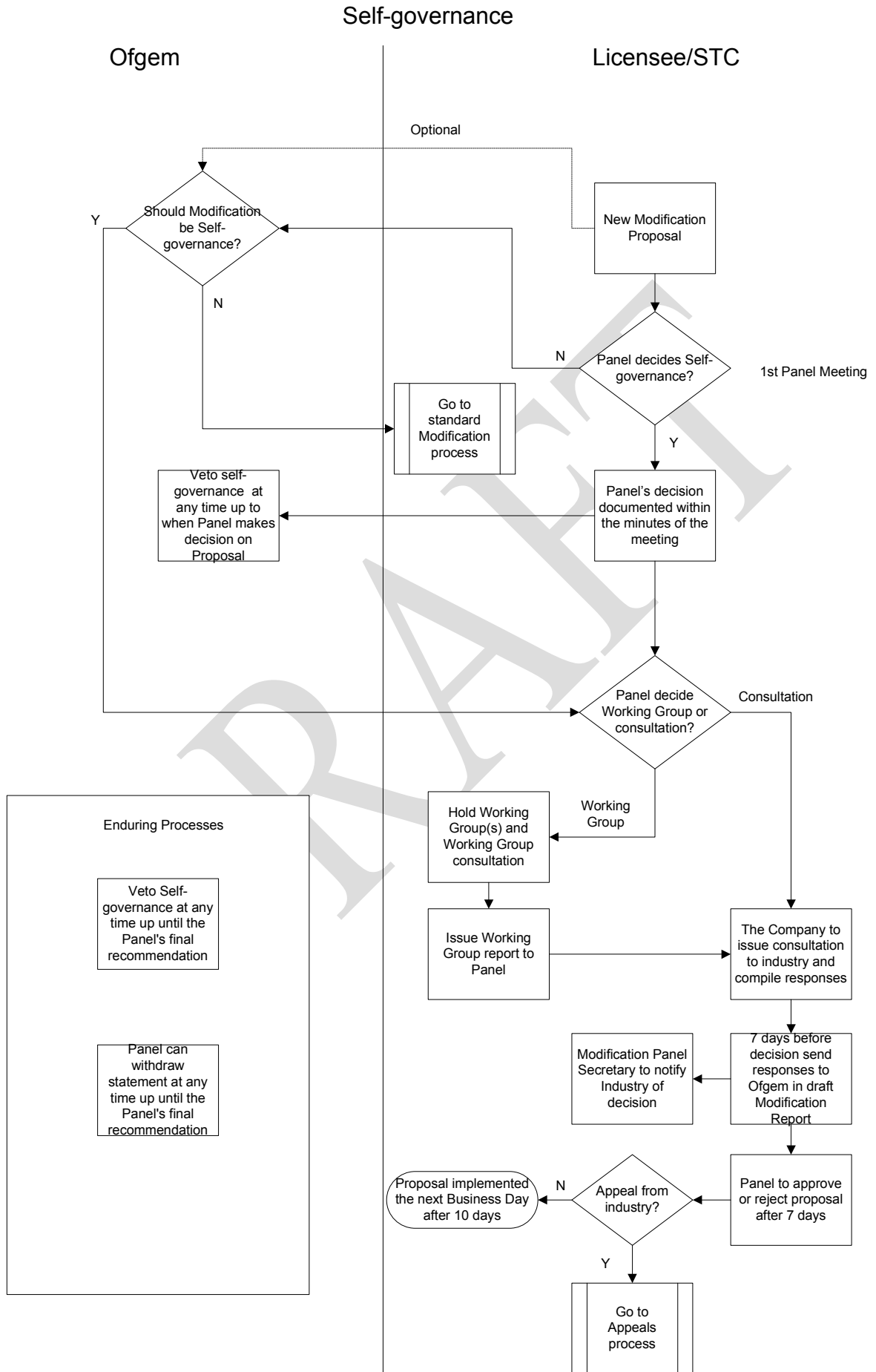
- Those wishing to propose a Modification to the STC should do so by filling in this "Modification Proposal Form" that is based on the provisions contained in Section 7.2 of the STC.
- The Panel Secretary will check that the form has been completed, in accordance with the requirements of the STC, prior to submitting it to the Panel. If the Panel Secretary accepts the Modification Proposal form as complete, then she/he will write back to the Proposer informing them of the reference number for the Modification Proposal and the date on which the Panel will consider the Proposal. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the STC, then he/she may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Lucy Hudson
STC Modification Panel Secretary
Electricity Regulatory Frameworks
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick, CV34 6DA
E-mail to: Lucy.Hudson@nationalgrid.com

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Appendix A – Self-governance Flow Diagram



Self-governance appeals

