

Stage 01: Initial Modification Report

System Operator Transmission Owner Code
(STC)

CA055 Consequential changes following implementation of the Third Package and other miscellaneous changes

What stage is this document at?

01	Initial Modification Report
02	Proposed Modification Report
03	Modification Report

This proposal seeks to modify the System Operator Transmission Owner Code (STC) to enable the Authority to raise modifications to the STC that it considers necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and / or Agency.

This document contains the information required under Section B 7.2.5.1 to 7.2.5.8 of the STC.

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The Proposer recommends:

That CA055 should be implemented as it better facilitates Applicable STC Objectives (a), (e) and (g).



High Impact:

None



Medium Impact:

None



Low Impact:

National Grid, The Authority

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Any Questions?

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About this document

This document contains the background and recommendations of the Proposer for the above modification. The STC Committee will need to perform an assessment of the proposal prior to allowing individual parties to comment through consultation.

Document Control

Version	Date	Author	Change Reference
0.1	19 February 2014 Error! Reference source not found.	National Grid	Draft to STC Panel

1 Executive Summary



What is the Third Package?

The 'Third Package' consists of four EC Regulations and two EC Directives, which came into force on 3 September 2009. The aim of these is to bring in a competitive and integrated energy market to allow consumers to choose between different Suppliers; and provide for all Suppliers to access the market in each EC member state. It also brought into existence the [Agency for Cooperation of Energy Regulators \(ACER\)](#).

The UK Parliament gave effect to this in Great Britain in November 2011 through the [Electricity and Gas \(Internal Markets\) Regulations 2011](#).

- 1.1 The Third Package legislation was introduced in Great Britain through the Statutory Instrument for the Electricity and Gas (Internal Markets) Regulations 2011 which came into effect on 10 November 2011. The Statutory Instrument fully transposes the Third Package into UK law. As a result of these changes, a number of changes were made to the gas and electricity licences, including National Grid's Electricity Transmission (NGET) Licence.
- 1.2 On 22 October 2014 the Authority notified the industry of its decision to modify electricity licence conditions, including Condition B12 System Operator – Transmission Owner Code. These changes took effect from 17 December 2013.
- 1.3 STC Modification Proposal CA055 was proposed by NGET and was formally submitted to the STC Committee meeting on 29th January 2014.
- 1.4 Following consideration, the STC Committee agreed that Proposed Modification Proposal CA055 should proceed directly to the Assessment and Report Phase on 29th January 2014.

STC Committee Recommendation

- 1.5 The STC Committee provisionally recommends that STC Modification Proposal CA055 be approved for implementation.
- 1.6 Should the Authority approve STC Modification Proposal CA055, it is provisionally recommended that the STC be modified 5 days after the Authority decision.

2 Description of Proposed Modification and its Effects

- 2.1 CA055 enables the Authority to raise modifications to the STC that it considers necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or Agency.
- 2.2 Further to this a number of rules are then applied:
1. To allow the Authority to raise or direct the Licensee to raise STC Modification Proposals to implement 'Electricity Regulations' and 'any legally binding decisions from Europe'.¹
 2. To apply the caveats in the licence to modifications which are raised by the *Authority* in relation to the relevant Electricity Regulations.
 3. To apply the caveats in the licence to modifications which are raised by the *licensee* following an Authority direction to raise such a Proposal.
- 2.3 In regard to items 2 and 3 above, these caveats relate to such proposals (i) being accepted into the STC Modification process, (ii) where raised by the licensee, not to be withdrawn without the Authority's consent, and iii), to proceed in accordance with any timetable directed by the Authority.

¹ This relates to any legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators (ACER).

3 Impacts & Assessment

3.1 STC Parties' Assessments

3.1.1 National Grid

The view of National Grid

3.1.2 Offshore Transmission Owners (OFTOs)

The view of OFTOs

3.1.3 Scottish Hydro-Electric Transmission plc (SHET)

The view of SHETL

3.1.4 SP Transmission Limited (SPT)

The view of SPT

3.2 Impact on STC/STCPs

- 3.2.1 The proposed modification will require changes to Section B – Governance and Section J – Interpretations and Definitions.

3.3 Impact on Greenhouse Gas emissions

- 3.3.1 The proposed modification will not have a material impact on Greenhouse Gas Emissions.

3.4 Assessment against STC Objectives

- 3.4.1 The STC Committee considers that CA055 would better facilitate the STC objective(s):

- (i) 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 obligations imposed on them through the transmission licence.

- (ii) development, maintenance and operation of an efficient, economical coordinated system of electricity transmission;
- (iii) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
- (iv) 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; and
- (v) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC; and

The proposed changes will ensure that the STC accurately reflects the provisions set out in Standard Licence Condition B12 covering the circumstances and processes to be followed in relation to Authority raised or

directed modifications, thereby ensuring that such proposals are progressed efficiently and effectively.

- (vi) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system.
- (vii) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

The proposed changes ensure that the STC complies with changes resulting from the Electricity and Gas (Internal Markets) Regulations 2011 and enabling the STC to be aligned with any future electricity regulation.

3.5 Impact on core industry documents

The proposed modification does not impact on any core industry documents

3.6 Impact on other industry documents

The proposed modification does not impact on any other industry documents

4 Recommendations

4.1 The Proposer recommends that CA055 better facilitates the Applicable CUSC Objectives and so should be implemented.

4.2 The proposed timetable for CA055 is:

22 January 2014	STC Proposal submitted
29 January 2014	Proposal presented to STC Modification Panel
19 February 2014	Draft Initial Modification Report submitted
26 February 2014	Draft Initial Modification Report considered by Panel
3 March 2014	Industry Consultation published
28 March 2014	Deadline for comments
23 April 2014	Draft Final Modification Report submitted
30 April 2014	Draft Final Modification Report considered by Panel
2 May 2014	Submission to Authority
17 June 2014	Implementation date

5 Proposed Legal Text

For ease of reference, new text is depicted in blue font and deleted text in red strikethrough.

SECTION B: GOVERNANCE

7. MODIFICATION OF THE CODE AND CODE PROCEDURES

7.1 General

- 7.1.1 For the purposes of this paragraph 7 only, references to the "Code" shall be deemed not to include reference to the Code Procedures or to Schedule Two.
- 7.1.2 The process for amending Code Procedures and Schedule Two is set out in paragraph 7.3.
- 7.1.3 The Code and Code Procedures may (and may only) be amended from time to time pursuant to the Transmission Licence.
- 7.1.3A Amendments to The Code and Code Procedures may be in response to a Significant Code Review [or the Electricity Regulation](#), as provided for in the Transmission Licence.
- 7.1.3B Change Routes
 - (a) A STC Modification Proposal may be a Standard STC Modification Proposal, or it may be subject to additional process steps, if raised during a Significant Code Review, or it may be raised pursuant to paragraph 7.1.10.1 [where the Authority reasonably considers that such STC Modification Proposal is necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency.](#)
 - (b) If a STC Modification Proposal is deemed by the STC Modification Panel to meet the Self-Governance Criteria, it will be subject to a different process.
 - (c) If a STC Fast Track Modification Proposal is determined by the STC Modification Panel to meet the Fast Track Criteria, it will be subject to the process set out at STCP25-3 and shall become a STC Fast Track Report.

7.1.10 [Authority Raised or Directed Modification](#)

7.1.10.1 The Authority may:

- (a) itself; or
- (b) direct The Company to raise a STC Modification Proposal where the Authority reasonably considers that such STC Modification Proposal is necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency.

7.1.10.2 The Company shall comply with any directions issued by the Authority in relation to setting and/or amending a timetable for;

- (a) the raising of a STC Modification Proposal pursuant to paragraph 7.1.10.1(b); and/or
- (b) where the Authority has approved a STC Modification Proposal raised pursuant to Paragraph 7.1.10.1, implementation of such STC Modification Proposal.

7.1.10.3 In respect of a STC Modification Proposal raised pursuant to paragraph 7.1.10.1, the STC Modification Panel and the Panel Secretary shall each comply with any timetable(s) directed by the Authority in relation to setting and/or amending a timetable for the completion of all relevant steps of the amendment process or such other processes set out in this paragraph 7.

7.1.10.4 Notwithstanding any other provision in this paragraph 7, a STC Modification Proposal raised pursuant to Paragraph 7.1.10.1:

- (a) shall not be withdrawn by any Party without the prior consent of the Authority.

7.1.10.5 (b) shall not be amalgamated with any other STC Modification Proposal without the prior consent of the Authority. If, pursuant to paragraph 7.1.10.4, the Authority consents to the withdrawal of a STC Modification Proposal, the provisions of paragraph 7.2.2.6 shall apply to such STC Modification Proposal.

7.1.10.6 In respect of any STC Modification Proposal raised pursuant to paragraph 7.1.10.1, the views of the relevant Workgroup, the voting rights of the STC Modifications Panel or the recommendation of the Workgroup Report or the STC Modification Report in respect of such STC Modification Proposal shall not be limited or restricted in any way as a result of the STC Modification Proposal being so raised.

7.1.10.7 A STC Modification Proposal shall still be assessed against the Self-Governance Criteria and the Fast Track Criteria notwithstanding that it has been raised pursuant to paragraph 7.1.10.1.

7.1.10.8 In relation to any STC Modification Proposal raised by The Company other than pursuant to Paragraph 7.1.10.1, where the Authority reasonably considers such STC Modification Proposal to be necessary to comply with or implement the Electricity Regulation and/or any relevant binding decision of the European Commission and/or the Agency, the provisions of Paragraphs 7.1.10.1 to 7.1.10.7 shall apply.

7.2.2 STC Modification Proposals

7.2.2.1 A proposal to amend the Code may be made by any of the following:

- (a) a Party; or
- (b) such person or persons having a relevant interest as may be designated in writing for this purpose by the Authority from time to time; or,
- (c) a Party Representative, or,
- (d) The Authority pursuant to 7.1.10.1

(referred to in this Section B as the "**Proposer**").

7.2.2.2 A proposal made pursuant to sub-paragraph 7.2.2.1 shall be submitted in writing to the Panel Secretary and shall contain the following information in relation to such proposal:

- (a) the name of the Proposer;
- (b) a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address;
- (c) a description (in reasonable but not excessive detail) of the proposal and of its nature and purpose;

- (d) where possible, an indication of those parts of the Code and Code Procedures which, in the opinion of the Proposer, would be likely to require amendment in order to give effect to (or would otherwise be affected by) the proposal and an indication of the nature and contents of those amendments or effects (including, where relevant, any need for the establishment of new Code Procedures or removal of existing Code Procedures);
- (e) the reasons why the Proposer believes that the proposal would better facilitate achievement of the Applicable STC Objectives as compared with the then current version of the Code, together with background information in support thereof;
- (f) where possible, an indication of the potential impact of the proposal on the BSC, CUSC or any Core Industry Document;
- (g) the reasoned opinion of the Proposer as to whether the STC Modification Proposal would have a quantifiable effect on greenhouse gas emissions, where the impact is likely to be material, assessed in accordance with such current guidance on the treatment of carbon costs and evaluation of the greenhouse gas emissions as may be issued by the Authority from time to time;
- (h) where possible, an indication of the potential impact of the proposal on relevant computer systems and processes used by the Parties and on any STC Modification Proposal; and
- (i) where a Proposer is a person falling under sub-paragraph 7.2.2.1(b), a statement to the effect that the Proposer acknowledges that, on acceptance of the proposal as a STC Modification Proposal for consideration by the STC Modification Panel (pursuant to sub-paragraph 7.2.2.3) and, notwithstanding that the Proposer is not a Party, the Proposer shall grant a licence and provide a warranty in the same terms as set out in sub-paragraph 7.2.2.5.
- (j) the reasoned opinion of the Proposer as to why the proposed modification should not fall within a current Significant Code Review, whether the proposed modification meets the Self-Governance Criteria or whether the proposed modification should proceed along the Standard STC Modification Proposal route.

Except where the proposal is made pursuant to 7.1.10.1, if a proposal fails to contain any information required under this sub-paragraph 7.2.2.2, the Panel Secretary shall notify the Proposer, who may submit a revised proposal in compliance with this sub-paragraph 7.2.2.

Notwithstanding the Proposer failing to provide the information listed in (j) above, the STC Modification Panel may still determine that a STC Modification Proposal meets the Self-Governance Criteria.

7.2.2.3 A proposal made pursuant to paragraph 7.1.10.1 or pursuant to and in compliance with sub-paragraph 7.2.2.2 shall be processed as a “**STC Modification Proposal**” as further provided in this paragraph 7.2.

7.2.2.6 Save where a STC Modification Proposal has been determined by the STC Modification Panel to fall within a Significant Code Review, or where the STC Modification Proposal has been raised pursuant to paragraph 7.1.10.1, the Proposer may withdraw:

7.2.3.4 Save where the STC Modification Proposal has been raised pursuant to paragraph 7.1.10.1, the STC Modification Panel may decide to amalgamate a STC Modification Proposal with one or more other STC Modification Proposal(s) where the subject matter of STC Modification Proposal is sufficiently proximate to justify amalgamation on the grounds of efficiency and/or where such STC Modification Proposal(s) are logically dependent on each other.

7.2.4 **Evaluation Phase**

7.2.4.1 Subject to paragraph 7.1.10.2 the STC Modification Panel shall use its reasonable endeavours in order to ensure that the Evaluation Phase as set out in this sub-paragraph 7.2.4 shall take no longer than two months (or if a Workgroup is established 4 months) from its referral under sub-paragraph 7.2.3.2 up to the referral to the Assessment and Report Phase under sub-paragraph 7.2.4.4 unless otherwise agreed by the Authority.

7.2.4.A1 Subject to paragraph 7.1.10.2, where the STC Modification Panel deems it appropriate, it shall establish a Workgroup in accordance with sub-paragraph 7.2.4.2:

7.2.5 **Assessment and Report Phase**

7.2.5.1 Subject to paragraph 7.1.10.2, the STC Modification Panel together with the Proposer shall use their reasonable endeavours in order to ensure that the Assessment and Report Phase as set out in this sub-paragraph 7.2.5 shall take no longer than six months from its initiation by referral under sub-paragraphs 7.2.3.2 or 7.2.4.4 up to submission of the STC Modification Report to the

Authority under sub-paragraph 7.2.5.11(a) unless otherwise agreed by the Authority.

SECTION J: INTERPRETATION AND DEFINITIONS

“Agency”	means the Agency for the Cooperation of the Energy Regulators established under 2009/713/EC of the European Parliament and of the Council of the 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators as amended from time to time;
“Electricity Regulation”	means Regulation 2009/714/EC of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation 2003/1228/EC as amended from time to time;
“European Commission”	means the institution of that name established under the Treaty on European Union as amended from time to time;