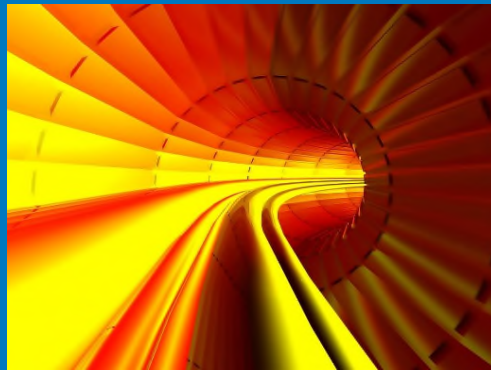


Legal Separation Codes update



28th February 2018

Introduction

- Background:
 - August 2017 – Ofgem consultation on ESO Separation
 - September 2017 – NG Open Letter – Code Changes
 - Since September – Attended Code Panels, Industry Forums and the National Grid Customer Seminar
- Webinar Today:
 - To introduce the draft legal text for the legal separation modifications and planned timescales

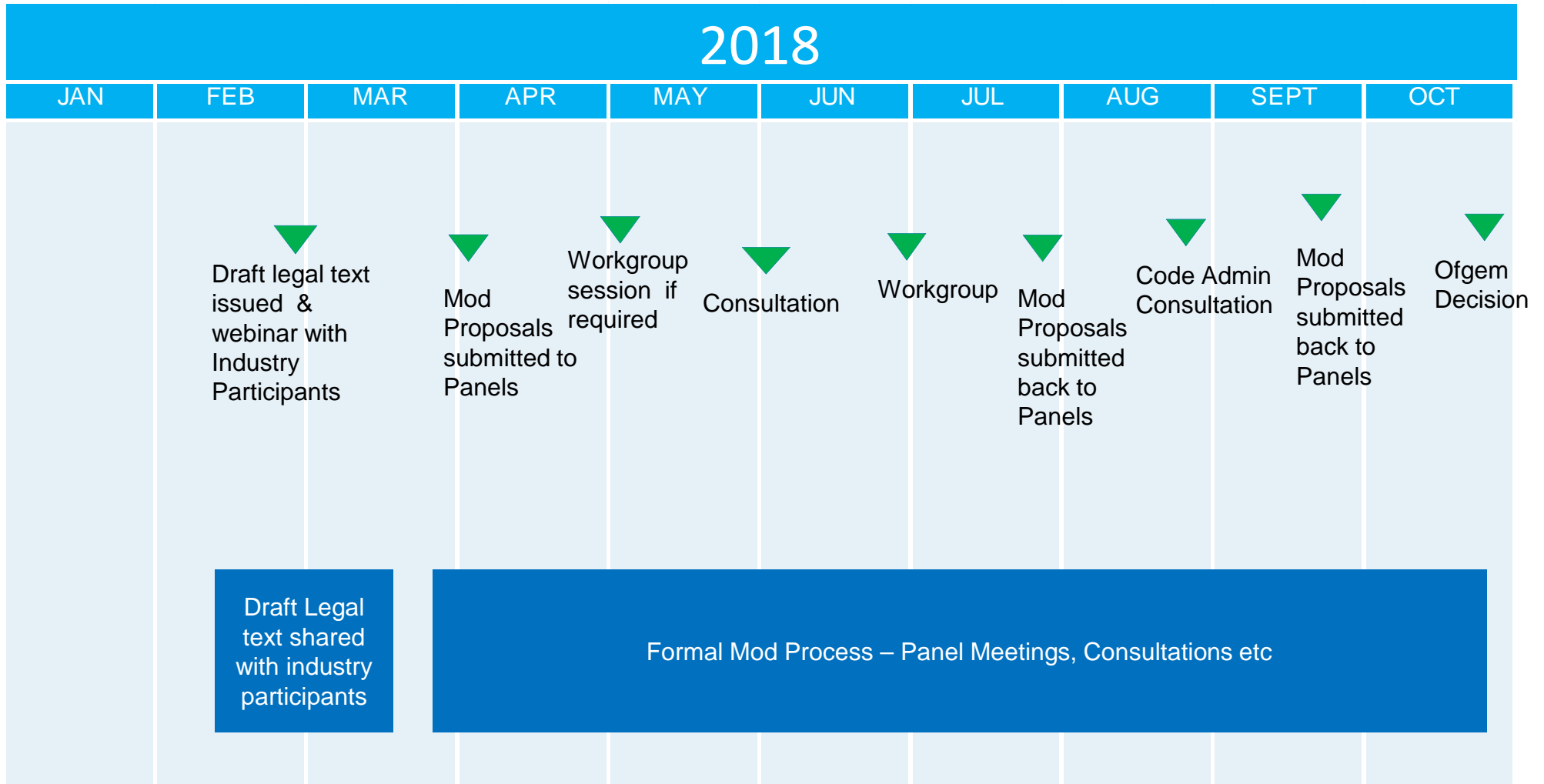
SO/TO Legal Separation - Modification Approach

- Industry codes will need to be modified to create a legally separate SO and associated novations
- A coordinated set of code of modifications utilising the normal GB code governance arrangements will be proposed by National Grid Electricity Transmission (NGET)
- Anticipate the effect of the modifications on industry parties to be minimal
- Views welcome as to whether these modifications would be open to cross code working to ensure best use of industry time

SO/TO Legal Separation – Scope confirmation

- Main types of changes are either:
 - Entity changes – changes from the NGET to NGESO where relevant
 - Transitional – the change can be smooth for all industry participants
 - Consequential – some changes are as a consequence of the separation
- The guiding principles we have focused on are:
 - Minimal change
 - Alignment with other Transmission Owners
 - No housekeeping amendments
 - No betterment changes

Legal Separation Modification Timeline



Legal Drafting

- The following draft legal text has been developed for the legal separation changes for the following Codes and Standard:
 - CUSC
 - Distribution Code
 - Grid Code
 - SQSS
 - STC Code (and procedures)
- The draft text has been published on the specific code administrators website
- All the documents have clear tracked changes
- In due course we will be proposing to make minor changes to the BSC and DCUSA

CUSC – 1 page summary

- Below are the high level indicative changes that are going to be included within the CUSC Modification required for legal separation:
 - All sections 1-15 – Entity changes
 - Majority of Exhibits and Schedules – Entity changes
 - Novation Agreement
 - Includes the approach to novate all contracts entered under the CUSC from NGET to NGESO

Distribution Code – 1 page summary

- High level view of the indicative DCode changes to be included:
 - Entity Changes – amending ‘NGC’ to either ‘NGESO’ or ‘NGET’
 - DCode Panel role is as the representative of the OTSO (system operator in its role as operator of the offshore transmission system) so will stay with NGESO in the future
 - There are some contracts directly with DNO’s, which will be novated outside of the Code changes from NGET to NGESO

Grid Code – 1 page summary

- Entity Changes throughout the documents
- No requirement to change the Grid Code Panel composition as the Open Governance (GC0086) introduced a Panel position for onshore Transmission Owners
- Amended the code governance role from NGET to NGESO
- Minor Grid Code changes in the following areas:
 - OC9.4 – Black Start – known geographical difference
 - CC5.2 & CC8 – Site Responsibility Schedules

SQSS – 1 page summary

- High level view of indicative SQSS changes within the LSP Modification:
 - Entity changes from ‘NGET’ to ‘NGESO’ – primarily around the management of the transmission system
 - Adding a new definition for ‘NGESO’ – National Grid Electricity System Operator
 - Governance changes to the SQSS:
 - Panel Secretary appointed by NGESO
 - SQSS will be published on the NGESO website
 - Adding a new SQSS Panel representatives role for NGESO (i.e. mirroring the role held by NGET, SPT and SHE)
 - Clarity on the process to update the SQSS industry governance framework
 - Ensure that the licence changes linked to the SQSS modification, could be completed inline with legal separation

STC Code (and procedures) – 1 page summary

- STC and STCPs have NGET to NGENSO changes throughout with the following additions:
- STC:
 - Section B – provides for membership on the STC Modification Panel for NGENSO and NGET as a TO
 - Section C – allows for new technologies for data exchange and to increase input of outages to TOGA to beyond 6 years
 - Section D – has the obligation only on TOs to produce Investment Plans and not NGENSO
 - Section G – Includes Nuclear Site Licence Provision Agreement obligations on NGET that were in the Grid Code
- STCPs:
 - The STCPs have been drafted to provide clarity on TO obligations and NGENSO obligations with STCP06-1 showing a regional difference between Scotland and E&W for initiating Local Joint Restoration Plans

Feedback Request

- We would like to request industry participants to review the draft legal text that we have published on the specific code administrators websites
- Could you please provide feedback whether:
 - you have any general comments on the approach that has been taken for the legal separation modifications
 - you require clarity on the rationale for the proposed tracked changes
 - there are any additional amendments/alterations to the proposed changes
 - if there are any additional areas/sections of drafting you feel should be included in the legal separation modifications
 - you can provide feedback on the questions identified in the cover letter published with the legal drafting

Key questions for Industry

- We have included a cover letter with the draft legal text, which highlight some key questions including:
 - Transitional approach – any areas that industry participants require changing prior to the legal separation
 - Housekeeping approach, kept the minimum change required for legal separation
 - Contractual changes – will entail contracts signed under the CUSC framework novated from NGET to NGESO
 - Are you comfortable with the novation approach?
 - The naming convention do you think that reference to NGESO is appropriate or should it be a generic reference to the SO?
 - Taken the approach to utilise the baseline Code legal text today, appreciating that the Code baseline text is likely to change as the modifications progress.

Next Steps

- Feedback to Box.ELSP@nationalgrid.com
- 15th March – Webinar 2
 - Divide the session into timed sections for each Code:
 - CUSC
 - Distribution Code
 - Grid Code
 - SQSS
 - STC Code (and procedures)
 - If you cannot attend the webinar or would like an additional opportunity to provide feedback, please contact the .Box address above

Any questions/feedback?

Box.ELSP@nationalgrid.com