

Workgroup Consultation			
<h1>GC0159: Introducing Competitively Appointed Transmission Owners</h1> <p>Overview: This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the Grid Code to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.</p>	<h3>Modification process & timetable</h3> <ol style="list-style-type: none"> 1 Proposal Form 29 September 2022 2 Workgroup Consultation 25 January 2023 - 15 February 2023 3 Workgroup Report 18 May 2023 4 Code Administrator Consultation 02 June 2023 - 02 July 2023 5 Draft Final Modification Report 19 July 2023 6 Final Modification Report 08 August 2023 7 Implementation Q4 2023 		
<p>Have 5 minutes? Read our Executive summary</p> <p>Have 20 minutes? Read the full Workgroup Consultation</p> <p>Have 30 minutes? Read the full Workgroup Consultation and Annexes.</p>			
<p>Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised.</p>			
<p>This modification is expected to have a: High impact NGESO, Transmission Owners, prospective CATO entities (by introducing CATO arrangements) Low impact Users</p>			
<p>Modification drivers: Transparency, Cross-Code Change, Efficiency, Governance, Harmonisation, Ofgem-led, System Planning</p>			
<p>Governance route</p>	<p>Standard Governance modification with assessment by a Workgroup</p>		
<p>Who can I talk to about the change?</p>	<table border="0"> <tr> <td style="vertical-align: top;"> <p>Proposer: Stephen Baker & Alastair Grey Stephen.Baker@nationalgrideso.com & Alastair.Grey@nationalgrideso.com 07929 724347 & 07866 150057</p> </td> <td style="vertical-align: top;"> <p>Code Administrator Chair: Ruth Roberts ruth.roberts@nationalgrideso.com 07972 172169</p> </td> </tr> </table>	<p>Proposer: Stephen Baker & Alastair Grey Stephen.Baker@nationalgrideso.com & Alastair.Grey@nationalgrideso.com 07929 724347 & 07866 150057</p>	<p>Code Administrator Chair: Ruth Roberts ruth.roberts@nationalgrideso.com 07972 172169</p>
<p>Proposer: Stephen Baker & Alastair Grey Stephen.Baker@nationalgrideso.com & Alastair.Grey@nationalgrideso.com 07929 724347 & 07866 150057</p>	<p>Code Administrator Chair: Ruth Roberts ruth.roberts@nationalgrideso.com 07972 172169</p>		
<p>How do I respond?</p>	<p>Send your response proforma to grid.code@nationalgrideso.com by 5pm on 15 February 2023</p>		

Contents

Contents	2
Executive summary	3
What is the issue?	4
Why change?	4
What is the solution?	4
Proposer’s solution.....	<u>54</u>
Workgroup considerations	<u>64</u>
Draft legal text	<u>74</u>
What is the impact of this change?	<u>74</u>
Proposer’s assessment against Code Objectives	<u>74</u>
When will this change take place?	<u>95</u>
Implementation date	<u>95</u>
Date decision required by	<u>95</u>
Implementation approach	<u>95</u>
Interactions	<u>95</u>
How to respond	<u>95</u>
Standard Workgroup consultation questions	<u>95</u>
Specific Workgroup consultation questions	<u>96</u>
Acronyms, key terms and reference material	<u>106</u>
Reference material	<u>106</u>
Annexes	<u>106</u>

Executive summary

This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the Grid Code to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.

What is the solution and when will it come into effect?

Proposer's solution: The objective of this modification is to implement minimum change to the Grid Code to facilitate the introduction of CATOs. The approach taken is to extend existing relevant Onshore TO provisions as far as appropriate, reflecting Ofgem's expected licencing regime.

Implementation date: Q4 2023

What is the impact if this change is made?

The introduction of the CATOs concept will impact NGENSO, Transmission Owners, prospective CATO entities (by introducing CATO arrangements) and users.

Interactions

There are likely to be consequential changes for the other electricity industry codes such as SQSS, CUSC, BSC and STC.

What is the issue?

On 28 March 2022 Ofgem published its decision¹ to proceed with implementation of the Early Competition model. This has been underpinned by the publication of the Energy Security Bill², introduced to Parliament on 6 July 2022 and expected to receive Royal Assent in the Spring of 2023 which makes provision to enable competitive tenders for delivery of onshore electricity network assets. The Bill will introduce powers to enable the Secretary of State to appoint a body to run tenders and to set criteria to determine a network project's eligibility to be competed. It will also extend Ofgem's power to make regulations which will set out the process by which tenders will be run.

To allow Early Competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant codes. The introduction of Early Competition affects the Grid Code, SQSS, CUSC and STC among others. NGENSO are proposing this modification in association with the modifications that will be progressed to the other GB Codes and frameworks during the period between Autumn 2022 and Autumn 2023.

Why change?

For the UK to reach Net Zero by 2050 and achieve independence from imported fossil fuels, the ESO need to decarbonise the electricity system by 2035. As part of this green energy transition, the ESO expect to see a doubling in electricity demand driven in part by the electrification of heat and transport. This will require significant reinforcement and repurposing of the national electricity transmission system. The introduction of CATOs is aimed at contributing to this by introducing new parties to design, deliver and finance investment and to optimise delivery efficiency.

The Department for Business, Energy and Industrial Strategy indicate that, through the introduction of competition, consumers could see savings of up to £1 billion by 2050 on projects tendered over the next ten years. Ofgem requested for the NGENSO to plan how competition could be included within the process of designing, building and owning onshore transmission assets in the early stages of the project lifecycle, known as 'Early Competition'. NGENSO's Early Competition Plan (ECP) was published in April 2021. Introducing the concept of CATOs to the relevant industry codes ensures the safe, secure and coordinated operation of the Transmission System by establishing both the obligations on CATOs and those entities interacting with CATO assets. The first phase of the Early Competition procurement process (the pre-tender) is set to commence in the first quarter of 2024, necessitating that the proposed modifications be raised and progressed in line with the Code Administrator proposed timetable.

Following the completion of a competitive tender, a CATO will be awarded a Transmission Licence and categorised as an Onshore Transmission Owner. As a Licensed TO, CATOs will be subject to broadly the same obligations and frameworks.

Note: while TOs (and CATOs) are not subject to the Grid Code since this is User facing, they are referenced in numerous places to clarify User obligations.

¹ <https://www.ofgem.gov.uk/publications/decision-early-competition-onshore-electricity-transmission-networks>

² [Energy Security Bill - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/bills/2022/energy-security-bill)

What is the solution?

Proposer's solution

The objective of this modification is to implement minimum changes to the Grid Code to facilitate the introduction of CATOs. The changes listed below, which are non-exhaustive, are made on the assumption that a CATO will be granted a Transmission License and will be categorised as an Onshore Transmission Owner. The list below covers the proposed high-level changes:

- **Safety and Technical Standards:** changes include determining which Standards apply.
- **Power Station Thresholds** (which may interact with modification [GC0117](#))
- **Glossary & Definitions:** introduce the CATO concept; Amend definitions: Onshore Transmission Licensee; Transmission Interface Points (Onshore to Onshore); E&W Transmission System; E&W Transmission Licensee Small, Medium and Large Power Stations; Local Safety Instruction; Scottish Transmission Licensee; Scottish Transmission System; Remote Transmission Assets; and Transmission Interface Circuit.
- **Planning Code:** introduce amendments to Appendix C to ensure technical, design and operational criteria for CATO licensees are clarified.
- **Operating Codes:** Introduce concept of CATO in relation to Restoration Planning; It is proposed that the solution and legal text be developed within the Work Groups concurrently with the GC0156 modification. Minded to position is that the obligation on CATO's with respect to Restoration Planning align with the current obligations of the incumbent TO's. However, whilst today the NGENSO can delegate authority to SPT and SHE-T to initiate the Restoration Process in Scotland, we do not propose that this applies to CATOs who operate in Scotland.
- Account for CATO in **Governance Rules and Representation**, suggested path being to group with Onshore Transmission Licensees.
- **European Connection Conditions:** modifications required to ensure CATOs are adequately represented and captured with reference to relevant Transmission Licensees.
- **Balancing Codes:** detail obligations of BMUs in relation to the commencement or termination of their participation in the BM. Relevant Demand Capacity varies across the SPT's SHETL's and NGET's network. There is a need to reference CATO concept.
- **General Conditions;** Insert reference to CATO. Including GC.A.2.7 and GC.A.2.8 - add in concept of CATO to provision of data. Currently only references SPT and SHETL
- **Governance Arrangements**

Draft legal text

Legal text changes details are attached in Annex 1 covering:

- Glossary & Definitions
- Planning Code
- Operating Code No.9
- Balancing Code No.2

- General Conditions
- Governance Rules

Workgroup considerations

The Workgroup convened 3 times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions, and assess the proposal in terms of the Applicable Code Objectives.

Consideration of the proposer's solution

The proposer delivered a presentation on the Competitively Appointed Transmission Owners (CATOs). Issues highlighted by Workgroup members are as follows:

- Concerns that this modification presents a lot of changes and complexity and that it might rely on STC changes for support. The workgroup members expressed that they weren't sure if they are ready to start codifying material.
- Interactions with other codes, specifically STC that impacts TOs obligations need to be clear to try avoiding issues further down the line.
- Clarity on CATOs obligations and specifics from Ofgem are required to better facilitate the understanding of the change.
- Consider representation from CATOs in Panel's - Consider their obligations and the way they are financed, as OFTOs are not represented in the Panel
- One Workgroup member stated that they expect CATOs to have the same obligations as TOs, and if that were not the case, he would need a thorough explanation.

Draft Legal text

The Workgroup discussed the legal text with suggestions and updates taken on board by the proposer displayed within the draft legal text in Annex 3, focusing on the following:

- The need to clarify the approach to geographical areas/position and how the CATOs will fit within this.
- A CATO that is appointed to build transmission assets that terminate in two different TOs areas – are they allowed? What standards does the CATO take? - A Workgroup member stated that CATOs should have their specific Relevant Electrical Standards RESs (as they are specific to the company not to the area)
- A group member advised that if in the future the CATO's need to be removed from Grid Code it will be simpler if they have their own definition rather than if they are merged into definition. CATO's need to have their own definitions to make the distinction with Onshore Transmission Licensees.
- A group member highlighted the need to consider G0117 and the decisions that would come from that modification, when looking into the Control Point.
- The Proposer suggested to remove the concept of E&W competitively appointed Transmission system to accommodate the comments made by workgroup members to the draft Legal text regarding the geographical position of the CATO.

Workgroup was happy for this to go ahead but advised the Proposer to be mindful of other definitions where there can be an impact and implications.

- As a licenced TO, CATOs will be required to maintain a set of Relevant Electrical Standards, and these will be captured within the Annex to the General Conditions. Following Workgroup discussion, it was decided that it wasn't appropriate to reference within the General Conditions the obligation for CATOs to initially form/create a set of Relevant Electrical Standards. This is as per the suggestion of workgroup and reflects the fact that TO obligations to maintain RES are not currently borne out of the Grid Code. It is the proposer's recommended solution that as part of the Network Competition procurement process, prospective CATOs will be required to determine a set RES which are no less stringent than the incumbent TO. Below is a specific question for the Workgroup consultation

Specific Workgroup consultation question:

The Grid Code does not specify how TOs initially form/create their RES. Noting the workgroup discussion on this point, do you have a preferred approach that CATOs might follow to do this?

Draft legal text

The draft legal text for this change can be found in Annex 3.

What is the impact of this change?

Proposer's assessment against Code Objectives

Proposer's assessment against Grid Code Objectives	
Relevant Objective	Identified impact
(a) To permit the development, maintenance, and operation of an efficient, coordinated and economical system for the transmission of electricity	<p>Positive</p> <p>The proposed code changes form part of the package of work to establish the frameworks for competition in onshore electricity networks, which has a key role to play in improving efficiency in network investment and driving innovative solutions to network needs, helping us meet our decarbonisation targets at the lowest cost to consumers.</p> <p>Introducing the concept of CATO into the relevant</p>

	industry codes establishes the obligations of CATOs and those entities interacting with the CATO assets, ensuring the safe, secure and coordinated operation of the System.
(b) Facilitating effective competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity);	Positive The proposed code changes allow us to create transparency and fairness for competition participants, which is a requirement to set Onshore Network Competition up for success.
(c) Subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole;	Positive Introducing the concept of CATO into the relevant industry codes establishes the obligations of CATOs and those entities interacting with the CATO assets, ensuring the safe, secure and coordinated operation of the System.
(d) To efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency; and	Neutral
(e) To promote efficiency in the implementation and administration of the Grid Code arrangements	Neutral

Standard Workgroup consultation question: Do you believe that GC0159 Original proposal better facilitates the Applicable Objectives?

When will this change take place?

Implementation date

Q4 2023.

Date decision required by

November 2023.

Implementation approach

No systems or processes will be required to change as a result of this modification.

Standard Workgroup consultation question: Do you support the implementation approach?

Interactions

- | | | | |
|--|--|---|--|
| <input checked="" type="checkbox"/> CUSC | <input checked="" type="checkbox"/> BSC | <input checked="" type="checkbox"/> STC | <input checked="" type="checkbox"/> SQSS |
| <input type="checkbox"/> European
Network Codes | <input type="checkbox"/> EBR Article 18
T&Cs ³ | <input type="checkbox"/> Other
modifications | <input type="checkbox"/> Other |

How to respond

Standard Workgroup consultation questions

1. Do you believe that GC0159 Original proposal better facilitates the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Specific Workgroup consultation questions

5. The Grid Code does not specify how TOs initially form/create their RES. Noting the workgroup discussion on this point, do you have a preferred approach that CATOs might follow to do this?

The Workgroup is seeking the views of Grid Code Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to grid.code@nationalgrideso.com using the response proforma which can be found on the [GC0159 modification page](#).

³ If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request, please fill in the form which you can find at the above link.

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CATO	Competitively Appointed Transmission Owner
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
GC	Grid Code
SIL	Stable Import Limit
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

Reference material

- [Ofgem's Decision on the development of early competition in onshore electricity transmission networks sets out the model of early competition and criteria for network project eligibility to be competed \(2022\)](#)
- [Energy Security Bill](#)
- [BEIS Guidance Note: Energy Security Bill factsheet: Competition in onshore electricity networks](#)
- [NGESO Early Competition Plan final publication](#)

Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Draft Legal Text
Annex 4	What is a CATO