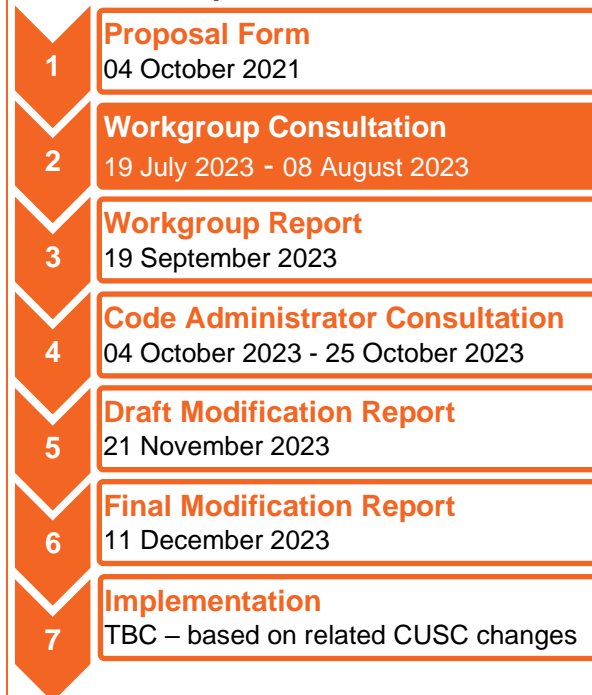


Workgroup Consultation

CM079: Consideration of STC/STCP changes in relation to CMP330/374

Overview: This modification will consider the proposals being discussed in CMP330/374 and CMP414 for how these might lead to STC or STC Procedures to ensure any consequential changes are proportionate.

Modification process & timetable



Have 5 minutes? Read our [Executive summary](#)

Have 30 minutes? Read the full [Workgroup Consultation](#)

Have 60 minutes? Read the full Workgroup Consultation and Annexes.

Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised.

This modification is expected to have a:

High impact – Onshore Transmission Owners

Low impact – ESO

Governance route	Standard Governance modification with assessment by a Workgroup	
Who can I talk to about the change?	Proposer: Richard Woodward Richard.Woodward@nationalgrid.com 07964 541743	Code Administrator Chair: Elana Byrne Elana.Byrne@nationalgrideso.com 07749 576706
How do I respond?	Send your response proforma to stcteam@nationalgrideso.com by 5pm on 08 August 2023	

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Executive summary

What is the issue?

CUSC modification proposals [CMP330/CMP374\(Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections\)](#) and [CMP414\(CMP330/CMP374 Consequential Modification\)](#) are currently in development. The core of these proposals seeks to extend the range of transmission assets which can be built 'contestably' by third parties (i.e., a 'User' as defined by CUSC).

Currently this right relates to User connection equipment, 'Connection Assets' and the User's own Plant and Equipment. These CUSC proposals seek to extend this right to incorporate infrastructure assets which are not shared, or are not expected to be shared, with the Onshore Transmission Owner adopting these assets on completion of build. If these modifications were to be approved by Ofgem, the STC would need to be amended to ensure alignment.

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

Proposer's solution: Identify changes required in the STC and/or STCPs to align with the proposed CUSC changes and assess the impact of those changes for Ofgem to consider. N.B. any STCP changes identified would need to be raised as a separate modification.

Implementation date: Date TBC - in accordance with approach set out in the associated CUSC modification proposals.

Summary of potential alternative solution(s) and implementation date(s):

No alternative solutions have been raised.

What is the impact if this change is made?

This modification would have a high impact on Onshore Transmission Owners. This is due to the increased administrative burden as a result of the CUSC changes incorporating contestability to include more assets of greater complexity than the baseline. This will require stronger vigilance to ensure system security and supply are not impacted. It will also require consideration and management of the interactions between future contestable build of infrastructure assets by Users and the TO's own portfolio of wider network investment. There could also be licence changes required as a result of this modification and CUSC modifications CMP330/CMP374 and CMP414.

Interactions

This modification has a direct interaction with the following CUSC Modifications:

- [CMP330&CMP374: Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections](#)
- [CMP414: "CMP330/CMP374 Consequential Modification"](#)
- [CMP376: Inclusion of Queue Management process within the CUSC](#)
- Transmission Licence, plus Price Control

As a result of Workgroup discussions new STCP modifications will be raised.

What is the issue?

CUSC modification proposals [CMP330/374 \(Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections\)](#) & [CMP414 \(CMP330/CMP374 Consequential Modification\)](#) are currently at Code Administrator Consultation stage following consideration by Workgroups.

The core of these proposals seeks to extend the range of transmission assets which can be built 'contestably' by a third party (a 'User' as defined by CUSC).

Currently this right relates to User connection equipment ('Connection Assets') and the User's own Plant and Equipment. The CUSC proposals seek to extend this right to incorporate infrastructure assets which are not shared, or are not expected to be shared, with the Onshore Transmission Owner adopting these assets on completion of build.

Why change?

Should these CUSC modifications be approved by Ofgem, connections processes between the Onshore TOs and ESO, as specified in the STC and associated STC Procedures, will need to be modified to ensure alignment. Therefore, this proposal seeks to ensure that the STC/STCP changes are considered by Ofgem in parallel to those in CUSC.

What is the solution?

Proposer's solution

- Undertake a collaborative code mapping exercise with relevant STC Parties, to consider a suite of proportionate changes to STC/STCP resulting from the proposed CUSC changes (including WACMs as required).
- Carry out a quantitative impact assessment of the CUSC and STC proposals from a networks perspective to help Ofgem consider their decision for this package of change

Workgroup considerations

The Workgroup convened 3 times in 2022 to discuss the Proposer's issue, detail the full scope of the identified defect, devise potential solutions, and assess the proposal in terms of the Applicable Code Objectives. The Workgroup process was paused in March 2022 and reconvened a further 3 times in 2023, prior to this consultation period, to take into consideration the updated solution for CMP330/374 and CMP414.

Consideration of the Proposer's solution

The Proposer and Workgroup developed a solution map (Annex 3) which identified the TO and ESO interactions, and key changes that would be required to the STC/STCPs if the proposed solution for CMP330/CMP374 and CMP414 is approved by the Authority.

Main topics discussed by the Workgroups:

Definitions (Section H)

The Proposer stated that the STC currently does not consider contestability at all currently (e.g., including the baseline definition of contestable works). He believed the STC would therefore need to be modified to define it in a proportionate manner to support the facilitation of the proposed CUSC solution.

It was agreed amongst the Workgroup that consistency with wording in the CUSC would be important. The Workgroup therefore agreed with the Proposer that STC definitions for “Contestable Assets,” and “Adoption Agreement” would be sufficient.

Feasibility Study (STCP17-1)

It was agreed by the Workgroup that as these processes were discretionary for Users to opt into (via ESO), and the scope of Feasibility Studies could be agreed bilaterally already, that there were minimal consequences in respect of STC processes. It was agreed that no changes were needed.

Offer/Application processes (Section D Part Two, Schedule 5 & Schedule 6) & Application Fees (STCP19-6)

The CUSC solution for CMP330/CMP374/CMP414 only requires that contestable options are included in offers once this can be fully specified between User, ESO and TO. This removes the need for ‘dual offers’ (i.e., two offers produced for contestable and non-contestable options), or for initial offers to fully specify the scope of contestable works. The consequence for the STC was therefore to ensure that any relevant data received by the ESO from the User, when they applied, was passed on to the relevant TO(s) in the Scheme Briefing Note.

In respect of Application Fees, the Workgroup debated whether Fixed Fees may need to be adjusted for ‘contestable variants. It had been discussed in Workgroups 1-3 that an option could be to ringfence the cost of doing a contestable application in a separate indicative Fixed Fee type rather than dilute the other sets of Application Fees. This would need to be amended in the STCP19-6 *Application refresh template*. A Workgroup member noted that this would also impact the TO’s charging statements.

In these early Workgroup discussions, the Authority representative questioned if the Workgroup could quantify the change in the value of Application Fee charges envisaged by introducing the changed contestable works process. The Proposer outlined that the benefit of the current Application Fee charging approach is that customers could nominate a variable fee to ensure a cost reflective charge. The Proposer added that until there was an actual data on the cost deltas for incorporating ‘Contestable Assets’ within existing offer processes it would be difficult to estimate in advance.

In Workgroup 4, it was agreed by the Onshore TO representatives that they would monitor any impact on Application Fees post-implementation and make changes as outlined above as ‘business as usual’ if Fixed Fees were felt to be no longer fit-for-purpose after implementing the CUSC contestability changes (if approved). The ESO would also consider their position on changing charging statements accordingly.

Intervention criteria and the processes for intervention (Section D Part Two)

The Proposer outlined the need to fully align the criteria and processes for intervention (as specified in the CUSC) to reasonably prevent Users from building (or continuing to build) Contestable Assets.

Where the STC needs to elaborate beyond the CUSC process is to define when/how ESO and relevant TOs agree to initiate interventions (including pre-emptive interventions) and what happens when the parties disagree (see disputes section below). This level of codified support for the TOs was met with agreement by the Workgroup.

Along with changes in STC Section D Part Two, it was expected that changes to STCP18-1 might be needed for this, or potentially a new STCP. This would require a further modification to formalise these.

The Workgroup agreed with the Proposer's suggestion to replicate the legal text covering the intervention process from the CUSC into the STC and enhance coordination between STC parties to facilitate this process.

Adoption Agreement principles and process (Section D Part Two)

As a result of the conversations on defining contestability and clarifying intervention criteria and dispute resolution (as per the proposed CUSC solution), the Workgroup agreed with the Proposer to also mirror the principles and processes for negotiating effective Adoption Agreements.

The Workgroup agreed by consensus that the processes to initiate negotiation of Adoption Agreements should not be codified as Users are not bound by the terms of the STC, and that these processes occurred under the baseline without STC obligations.

Disputes (Section H)

The Workgroup acknowledged the need for clarity in the STC for the ESO to facilitate disputes with TOs for specific areas of the end-to-end process, as the proposed CUSC solution could increase the potential for disputes compared to the baseline (if approved).

The Workgroup briefly discussed defining a distinct dispute type for Contestable Assets, to cover disputes related to the end-to-end process and particularly intervention or disagreements on the Adoption Agreement principles. The Proposer instead opted for a minor amendment to existing Section H provisions to accommodate a specific dispute for where ESO and the relevant Onshore TO disagree on intervention. The views of the ESO were sought regarding other possible forms of dispute which may need to be captured in the STC.

During the Workgroup meeting it was agreed that in the unlikely event a User queries the terms of their Adoption Agreement pre-signing (via CUSC dispute resolution processes), the ESO would facilitate a conversation between the TO and the User to find a way forward. In the event of a dispute arising in relation to alignment of terms offered to a User and the Adoption Agreement principles, the STC would need to enable coordination between ESO and relevant Onshore TO to resolve the issue.

Wider regulatory impacts (Price Control/Licence)

The Proposer flagged that code processes in CUSC/STC accommodating the revised contestability provision will not be able to sufficiently cover situations where things go wrong with Contestable Asset delivery and there are material impacts on TOs, or other Users, or end consumers.

In those situations, the TO would be expected to intervene to take on delivery of works instead of the User. The TO would potentially be incurring greater cost to do so – in comparison to the cost had the TO done the work to begin with or had the User completed the scope of contestable work as agreed. Any unforeseen cost increases that could arise would lead to the TO incurring regulatory financial penalties - through no fault of their own. Additionally, any delays which result from the TO intervening to rectify non-delivery could impact future Users (e.g., project delays), which may lead to further penalties for the TO.

The Onshore TO representatives in the Workgroup therefore agreed unanimously that this situation presented an unquantifiable risk which needed to be mitigated through regulatory mechanisms under Ofgem's supervision. This should include all regulatory mechanisms overseeing asset delivery considerations (not just contestable works related) given the inevitable interactions e.g., incentive arrangements.

Implementation

The TO Workgroup members asked for consideration of the different elements involved in practically implementing the proposed changes, and therefore the timelines for implementation. They mentioned the time required for TOs (and potentially the ESO) to accommodate and address the proposed STC changes as new internal process, as well as the regulatory matters that have arisen during Workgroup discussion (e.g., Price Control and potential licence changes). In their view this should be understood ahead of implementation.

Consideration of other options

No alternative options were discussed as part of the Workgroups to date.

Workgroup consultation question: Having reviewed the proposed CM079 solution and legal text, are there any significant matters arising which you feel may have a bearing on the associated CUSC modification proposal (CMP330/374/414)?

Draft legal text

The draft legal text for this change can be found in Annex 4.

- Schedule 5, 6
- Section D (pt 2), H and J

In addition, a new STCP modification will be raised in due course.

What is the impact of this change?

Proposer's assessment against Code Objectives

Proposer's assessment against STC Objectives	
Relevant Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	Neutral The associated CUSC proposals introduce the potential for increased risk of inefficiency, but the proposed STC changes have minimal impact in isolation.
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	Neutral The associated CUSC proposals introduce the potential for increased risk of inefficiency, but the proposed STC changes have minimal impact in isolation.
(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	Neutral The associated CUSC proposals introduce the potential for increased risk and inefficiency, but the proposed STC changes have minimal impact in isolation.
(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	Neutral The associated CUSC proposals introduce the potential for increased risk and inefficiency, but the proposed STC changes have minimal impact in isolation.
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC	Negative The proposed STC changes (reflecting the associated CUSC proposal) will lead to

	ambiguity in role accountabilities between Onshore TOs and ESO for certain contestability processes set out in CUSC or STC.
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	Neutral It is unclear at this stage.
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	Neutral N/A

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	Negative When considering the package of changes across CUSC and STC, there is increased risk that allowing 3rd parties to construct/deliver infrastructure assets may lead to negative network safety outcomes.
Lower bills than would otherwise be the case	Neutral When considering the package of changes across CUSC and STC, the intent of the CUSC proposal is to provide additional options to deliver some transmission network investment quicker and cheaper than might have otherwise been possible under the baseline. Whether this is ultimately the case if the modifications were to be approved - or that end consumers would benefit (as opposed to individual Users) - is ultimately unclear. It is important to note that Users are commercially motivated/incentivised much differently than an Onshore TO to undertake delivery of infrastructure assets. Where Users fail to deliver assets as agreed, and the TO is required to intervene, there could be negative cost impacts for TOs and end consumers.
Benefits for society as a whole	Neutral No societal benefits have been mentioned in relation to the corresponding CUSC proposals. The STC proposals do not have any obvious societal benefit.
Reduced environmental damage	Neutral

	<p>When considering the package of changes across CUSC and STC, there is an underlying risk that Users may prioritise the needs of their own projects when delivering Contestable Assets, which may undermine environmental obligations or lead to low cost solutions being favoured over sustainable solutions which would have been deployed by an Onshore TO. There is an increased risk of stranded assets where Onshore TOs refuse to adopt assets not built to agreed specifications, which could have negative environmental impacts. Ultimately the extent of these risks cannot be accurately foreseen.</p>
Improved quality of service	<p>Neutral</p> <p>When considering the package of changes across CUSC and STC, at best these proposals should speed up connection times for specific Users. However, this benefit is unsubstantiated at this stage.</p> <p>There is a high likelihood for increased administrative burden for the network companies to facilitate this, especially when considering the increased risk of contract disputes.</p>

Standard Workgroup consultation question: Do you believe that CM079 Original proposal better facilitates the Applicable Objectives?

When will this change take place?

Implementation date:

At the same time as the associated CUSC modification proposals – as a comprehensive package of change.

Date decision required by:

At the same time as the associated CUSC modification proposals – as a comprehensive package of change.

Implementation approach:

In accordance with approach set out in the associated CUSC modification proposals.

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

Interactions

- | | | | |
|--|--|--|--------------------------------|
| <input type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input checked="" type="checkbox"/> CUSC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European
Network Codes | <input type="checkbox"/> EBR Article 18
T&Cs ¹ | <input checked="" type="checkbox"/> Other
modifications | <input type="checkbox"/> Other |

How to respond

Standard Workgroup consultation questions

1. Do you believe that the Original Proposal and/or any potential alternatives better facilitate the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?

Specific Workgroup consultation questions

4. Having reviewed the proposed CM079 solution and legal text, are there any significant matters arising which you feel may have a bearing on the associated CUSC modification proposal (CMP330/374/414)?

The Workgroup is seeking the views of STC 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 <mailto:stcteam@nationalgrideso.com> using the response proforma which can be found on the [STC modification page](#).

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
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Guideline
ESO	Electricity System Operator
NCER	Network Code on Electricity Emergency & Restoration
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
STCP	System Operator Transmission Owner Code Procedure
T&Cs	Terms and Conditions
TO	Transmission Owner
WACM	Workgroup Alternative CUSC Modification

¹ 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.

Reference material

- CMP330 proposal form - <https://www.nationalgrideso.com/document/158561/download>
- CMP374 proposal form - <https://www.nationalgrideso.com/document/205106/download>
- CMP330/374 Code Administrator Consultation and Annexes - <https://www.nationalgrideso.com/document/281026/download>
- CMP414 proposal document & annexes- <https://www.nationalgrideso.com/document/279166/download>
<https://www.nationalgrideso.com/document/279171/download>
- CMP376 Final Modification Report & annexes – <https://www.nationalgrideso.com/document/281336/download>

Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Solution map
Annex 4	Draft legal text