

STC Modification Proposal Form

CM094: Amendment to Bi-annual estimate provisions

Overview: The current securities regime is unnecessarily and negatively impacting the connection of viable low carbon generation when network infrastructure already has regulatory approval.

Modification process & timetable



Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: High impact

Generators, Demand Users

They are expected to have a high impact as the number of securities that will be required to be provided by these Users could be significantly reduced.

Proposer’s recommendation of governance route

Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

Who can I talk to about the change?

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What is the issue?

We consistently hear from a range of customers – generation and demand, transmission and distribution connected - that the current securities regime is acting as a barrier due to the high costs of these. One recurring issue is that securities associated with large strategic transmission reinforcement works are acting as a barrier to Users, who are often required to place substantial securities against early termination of their contracts.

This is inappropriate in circumstances where regulatory approval has been granted. Continuing to insist on securities in these circumstances only serves to increase

Why change?

By acting now to address the issue, it will:

- Minimise further delay to construction works for regulatory approved investments, ensuring supply chain can be locked in in a timely manner.
- Facilitate the creation of significant socioeconomic benefit to communities.
- Help meet net zero targets of both the Scottish and UK government by enabling additional renewable development and unlocking the potential for future development of marine energy technologies.
- progressing with reform now will ensure that the securities regime is fit for purpose to support timely connection to projects associated with ASTI and future CSNP works

What is the proposer’s solution?

In order to accelerate the connection of viable customer connections, we are proposing an STC code modification to allow TOs not to pass on costs associated with strategic transmission reinforcements that have received regulatory approval. Where Ofgem has approved the need for strategic transmission reinforcement works via the price control framework, then customers should no longer securitise for those specific works.

Customers securities would only be released at the point that the reinforcement is approved. Customers will continue to secure up to this point and will still be required to securitise against any connection assets, sole use works, as well as any wider work securities.

Draft legal text

Please see Annex 1 - Schedule 9

What is the impact of this change?

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

(b) development, maintenance, and operation of an efficient, economical and coordinated system of electricity transmission	Neutral
(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
(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
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC	Neutral
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	Positive This modification will accelerate the connection of viable customer connections by reducing the number of unnecessary securities being required by Generators/demand customers.
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	Neutral

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	Neutral
Lower bills than would otherwise be the case	Positive <ul style="list-style-type: none"> Facilitate the creation of significant socioeconomic benefit to communities. For example, benefit to the Orkney and Scottish economies, through enabling community-owned wind farm developments and utilising both local Orcadian and Scottish supply chain content. Currently there is a HVDC link proposed that is high cost and thus high securities to the customers there. Removing this cost removes barriers to connecting these

	<p>customers which provides the socioeconomic benefits.</p> <ul style="list-style-type: none"> • Help meet net zero targets of both the Scottish and UK government by enabling additional renewable development. • Progressing with reform now will ensure that the securities regime is fit for purpose to support timely connection to projects associated with ASTI and future CSNP works
Benefits for society as a whole	Neutral
Reduced environmental damage	Neutral
Improved quality of service	Neutral

When will this change take place?

Implementation date

ASAP

Date decision required by

Before 31 March 2024

Implementation approach

Final Sums procedure

Proposer’s justification for governance route

Governance route: Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

Interactions

- Grid Code
- BSC
- CUSC
- SQSS
- European Network Codes
- Other modifications
- Other

Acronyms, key terms and reference material

Acronym / key term	Meaning
ASTI	Accelerated Strategic Transmission Investment
BSC	Balancing and Settlement Code
CM	Code Modification
CSNP	Centralised Strategic Network Plan
CUSC	Connection and Use of System Code
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards

Reference material

- Legal Text - Annex 1