



Making a positive difference
for energy consumers

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06 February 2024

Dear Deborah,

Approval for CM094: Amendment to Bi-annual estimate provisions to be treated as an urgent STC modification proposal

On 16 January 2024, Scottish & Southern Electricity Networks (the 'Proposer') raised System Operator Transmission Owner Code (the 'STC')¹ Modification Proposal CM094² (the 'Proposal') and requested that it be treated as urgent.

The Proposal seeks to modify the STC to prevent securities being requested from connecting customers where those securities relate to strategic transmission works approved by the Authority.³ The Proposer considers this will accelerate the connection of viable customer connections, and has advised the reason for the request for urgency is that the Proposal relates to a live issue, qualifying for urgency when assessed against the Ofgem Guidance on Code Modification Urgency Criteria⁴ and in particular, criterion a): 'a significant commercial impact on parties, consumers or other stakeholders...'

¹ [System Operator Transmission Owner Code \(STC\)](#), 18 January 2024.

² [CM094: Amendment to Bi-annual estimate provisions](#)

³ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

⁴ [Ofgem Guidance on Code Modification Urgency Criteria](#)

The STC Panel (the 'Panel') met on 31 January 2024 to consider CM094 and the request for urgency. On the same day, the Panel wrote to the Authority with a majority view that CM094 should be treated as an Urgent STC Modification Proposal.⁵

We have considered both the Panel and the Proposer's arguments in relation to urgency and decided that CM094 should be progressed on an urgent basis, however with an amended timeline set by the Authority. We have set out our reasoning below.

Background

Transmission Owners (TOs) are responsible for building and maintaining the transmission network in GB. As part of their role, TOs provide bi-annual estimate to the Electricity System Operator to calculate securities. Connecting users are required to pay these securities to connect to the transmission network (such securities being intended to cover some or all of the TO's costs in the event the connecting site did not proceed with their connection). The transition to net zero necessitates a strategic approach to the reinforcement of the transmission network. As part of this strategic reinforcement, the Authority has approved, and may in future approve further, specific infrastructure projects for the TO under the Price Controls framework.

The Proposer has suggested that it is no longer appropriate for connecting customers to face the high costs of securities when these are associated with strategic transmission reinforcement works approved by the Authority, and the Proposer's view is that this presents an urgent issue for connecting customers.

The request for urgency suggests that the requirement for 'extremely high' securities is inhibiting viable low carbon generators from connecting to the transmission network, potentially including 19 generators (0.2GW total capacity).

Panel view

The Panel considered the request for urgency with reference to Ofgem's Guidance on Code Modification Urgency Criteria. At the Panel meeting on 31 January 2024, the majority of Panel members agreed to recommend to Ofgem that CM094 should be progressed as an Urgent STC Modification Proposal. The Panel's arguments for and against urgent treatment are set out in their letter of the same day.

The majority of Panel members agreed with the Proposer's justification for urgency against Ofgem's criterion a): 'a significant commercial impact on parties'. The Panel agreed that the current securities regime had a significant impact on small generators making their projects unviable. One Panel member noted that urgency would enable a swift modification process.

⁵ [CM094: Urgency Letter](#)

One Panel member did not agree that CM094 met the Authority's Urgency Criteria. The Panel member advised that whilst they supported the need for modification CM094 and for it to be given high priority status, they were concerned that a truncated timeline would provide inadequate time to review the complexity of cross-code impacts and ensure a holistic solution across the codes.

Our decision

In reaching our decision on urgency, we have considered the details within the Proposal, and the Panel's letter recommending urgency with reference to the criteria set out in our published guidance. When making our decision on a proposed timeline for the modification we have also considered the potential impact on other proposed modifications.

In taking our decision on the urgency of CM094, we acknowledge the potentially significant overlap with proposed CUSC modifications CMP417⁶, CMP426⁷, and CMP428.⁸ The significant overlap with CMP428 in particular has informed the revised timeline for this CMP094 as set out later in this letter.

We understand that an urgency application is innately time sensitive. However, to enable an expeditious decision from the Authority we expect urgency requests to be coherent and accompanied by evidence and a fully articulated rationale relating to the satisfaction of the Authority's Urgency Criteria. For example, where a 'significant commercial impact' is argued we expect sufficient detail to enable us to understand the potential scale of the impact (number of impacted parties, projects, assets, or monetary value), and how this might vary according to the implementation date of the proposed modification or if the modification failed to proceed.

On balance, and having considered the request, the issue at hand and the wider context, we are satisfied that the progression of the Proposal satisfies Urgency Criteria (a) and therefore is related to a current issue that if not urgently addressed may cause a 'significant commercial impact on parties, consumers or other stakeholder(s)'.

We acknowledge the anecdotal evidence from the Proposer that there are 19 affected customers under one TO. In our view, there is likely to be a greater number of affected customers across GB, given the scale of strategic transmission investment planned over the course of the decade. We consider that – without making an assessment as to the merits of it – the Proposal seeks to address an immediate issue which, if not urgently considered, has the potential to cause significant commercial impacts to connecting users, and that for generation investment in particular, early clarity on the securities arrangements

⁶ [CMP417: Extending principles of CUSC Section 15 to all Users](#)

⁷ [CMP426: Cost Recovery for Boundary Reinforcement](#)

⁸ [CMP428: User Commitment liabilities for Onshore Transmission circuits in the Holistic Network Design](#)

(irrespective of Authority decision as to the merits of this CM094) will prevent unnecessary delays or increased costs owing to a perceived but unknown risk.

In accordance with Section B 7.2.6.2 and Section B 7.2.6.4 of the STC⁹, the Authority are setting an amended timeline with key dates indicated in Appendix 1. This aligns the Proposal to the current timeline for the related CUSC modification proposal CMP428. Based on the information currently available, the Authority believes it most appropriate for CM094 and CMP428 to be considered in parallel.

We append a revised timeline to this letter. The Panel is asked to have specific regard to the column headed, "Dates Required." The timeline we have provided does not concern all parts of the code modification process but rather seeks to align CM094 with the key dates in CMP428. We expect the Panel to set the remainder of the timetable in order to accommodate these key dates.

We encourage the Panel and Workgroup to proactively engage with interested parties as soon as possible to ensure consultation is effective notwithstanding the truncated timeline.

For the avoidance of doubt, in accepting the request for urgency, we have made no assessment of the merits of the Proposal and nothing in this letter in any way fetters our discretion in respect of the Proposal.

If you have any comments or questions about this letter, please contact Christopher Patrick at Christopher.Patrick@ofgem.gov.uk.

Yours sincerely,

Harriet Harmon

Head of Electricity Transmission Charging

Duly authorised on behalf of the Authority

⁹ [System Operator Transmission Owner Code \(STC\)](#), 18 January 2024.

Appendix 1 – Amended Urgent Timeline

Modification Stage	Dates proposed	Dates required	Standard dates	CMP428 timeline
Modification presented to Panel	31 Jan 2024	31 January 2024	31 Jan 2024	11 Jan 2024
Ofgem grant Urgency	05 Feb 2024 (5pm)	06 Feb 2024	N/A	N/A
Draft Final Modification Report (DFMR) issued to Panel (and Industry for standard timeline)	(2 working days) 12 March 2024	14 March 2024	(5 working days) 20 Aug 2024	14 March 2024
Final Modification Report issued to Authority	15 March 2024 (by 5pm)	08 April 2024	09 Sept 2024	08 April 2024
Authority Decision	26 March 2024	31 May 2024	TBC	31 May 2024
Date of Implementation	By 28 March 2024	14 June 2024	10 working days after Authority Decision	14 June 2024