

Grid Code Modification Proposal Form

GC0159: Introducing Competitively Appointed Transmission Owners

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.

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

NGESO, Transmission Owners, CATOs (by introducing CATO arrangements)

Modification drivers: Transparency, Cross-Code Change, Efficiency, Governance, Harmonisation, Ofgem-led, System Planning

Proposer's recommendation of governance route	Standard Governance modification with assessment by a Workgroup
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Who can I talk to about the change?	Proposers: Stephen Baker & Alastair Grey Stephen.Baker@nationalgrideso.com & Alastair.Grey@nationalgrideso.com 07929 724347 & 07866 150057	Code Administrator Contact: Banke John-Okwesa Banke.John-Okwesa@nationalgrideso.com 07929 716301
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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 Autumn of 2022, 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. CATOs will differ from incumbent TOs insofar as, for instance, they will consist of project companies funded through a Tender Revenue Stream to deliver a specific project based on network requirements. 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 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**

Note: no changes have been made to the Operating Codes Legal Text document due to the dependency on the ongoing modification - [GC0156](#) seeking the to facilitate the implementation of the Electricity System Restoration Standard'.

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

What is the impact of this change?

Proposer's assessment against Grid Code Objectives

Relevant Objective	Identified impact
<p>(a) To permit the development, maintenance, and operation of an efficient, coordinated and economical system for the transmission of electricity</p>	<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 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.</p>
<p>(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);</p>	<p>Positive</p> <p>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.</p>
<p>(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;</p>	<p>Positive</p> <p>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,</p>

	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

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 Provide commercially efficient growth of the NETS
Benefits for society as a whole	Positive The introduction of competition to onshore electricity networks has a key role to play in improving efficiency in network investment and driving innovative solutions to network needs, helping the UK to meet our decarbonisation targets at the lowest cost to consumers.
Reduced environmental damage	Neutral
Improved quality of service	Neutral

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.

Proposer's justification for governance route

Governance route: Standard Governance modification with assessment by a Workgroup.

Guidance on governance routes		
Timescales	Route	Who makes the decision (Governance type)
Normal	Proceed to Code Administrator Consultation*	Authority (Standard Governance) or Panel (Self-Governance)
	Assessment by a Workgroup**	
Urgent	Proceed to Code Administrator Consultation	Authority (Standard Governance)
	Assessment by a Workgroup	
Fast-track	Straight to appeals window, then implementation	Panel (Self-Governance)
<p>* This route is for modifications which have a fully developed solution and therefore don't need to be considered by a Workgroup.</p> <p>** For modifications which need further input from industry to develop the solution.</p>		
Self-Governance Criteria		
<p>It depends on the material effect of the modification as to whether it should be subject to Standard or Self-Governance. If you are proposing that your modification should be subject to Self-Governance, you must explain how it meets the below criteria.</p> <p>The modification is unlikely to discriminate between different Grid Code Parties and is unlikely to have a material effect on:</p> <ul style="list-style-type: none"> Existing or future electricity customers; Competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity, The operation of the National Electricity Transmission System Matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies The Grid Code Panel's governance procedures or the Grid Code Panel's modification procedures 		
Urgency Criteria		
<p>If you are proposing that your modification is Urgent, you must explain how it meets Ofgem's Urgent criteria (below). When modifications are granted Urgency, this enables the us to shorten the standard timescales for industry consultations. Note that the we (Code Admin) must seek Authority approval for this option.</p> <p>Ofgem's current guidance states that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:</p> <ul style="list-style-type: none"> A significant commercial impact on parties, consumers or other stakeholder(s); or A significant impact on the safety and security of the electricity and/or gas systems; or A party to be in breach of any relevant legal requirements. 		
Fast-Track Self-Governance Criteria		
<p>This route is for modifications which are minimal changes to the code. E.g. Typos within the codes. If you are proposing that your modification should be subject to Fast-Track Self-Governance, you must explain how it meets the below criteria.</p> <p>The modification is a housekeeping modification required as a result of an error or factual change, such as:</p> <ul style="list-style-type: none"> Updating names or addresses listed in the Grid Code; Correcting minor typographical errors; Correcting formatting and consistency errors, such as paragraph numbering, or; Updating out of date references to other documents or paragraphs. 		

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 |

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
SEL	Stable Export 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](#)

³ If your modification amends any of the clauses mapped out in Annex GR.B of the Governance Rules section of the Grid Code, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195). All Grid Code modifications must be consulted on for 1 month in the Code Administrator Consultation phase, unless they are Urgent modifications which have no impact on EBR Article 18 T&Cs. N.B. This will also satisfy the requirements of the NCER process.