

Modification proposal:	<b>System Operator (“SO”) – Transmission Owner (“TO”) Code (“STC”) CM051: Code Governance Review (Phase 2) – Significant Code Review</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity Transmission PLC (NGET), Parties to the STC and other interested parties		
Date of publication:	06 November 2013	Implementation Date:	20 November 2013

### Background to the modification proposal

Ofgem’s Code Governance Review<sup>3</sup> (CGR) sought to update and improve the industry code governance arrangements to ensure that they could effectively meet the challenges facing the industry, and to reduce complexity to ensure transparency and accessibility for all industry participants.

The CGR concluded in March 2010 with final proposals focusing primarily on the Balancing and Settlement Code (BSC), the Connection and Use of System Code (CUSC) and the Uniform Network Code (UNC). In April 2012, we initiated a second phase CGR (CGR Phase 2) with the aim of extending governance arrangements introduced through the CGR to other industry codes, including the System Operator-Transmission Owner Code (STC).

Following a consultation on initial proposals in September 2012,<sup>4</sup> we published final proposals for CGR Phase 2 in March 2013.<sup>5</sup> Licence modifications giving effect to these final proposals came into force on 5 August 2013.<sup>6</sup>

The CGR Phase 2 final proposals included a requirement for the introduction of the Significant Code Review (SCR) process into the STC governance arrangements. The SCR process provides a role for Ofgem to lead complex changes to the industry codes in a holistic manner.<sup>7</sup>

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> CGR Phase 1 final proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-final-proposals-4310>

<sup>4</sup> CGR Phase 2 initial proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-2-consultation>

<sup>5</sup> CGR Phase 2 final proposals: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-2-final-proposals>

<sup>6</sup> CGR Phase 2 licence modifications: <https://www.ofgem.gov.uk/publications-and-updates/modification-gas-and-electricity-licences-implement-code-governance-review-phase-2-final-proposals>

<sup>7</sup> Ofgem guidance on SCRs: <https://www.ofgem.gov.uk/ofgem-publications/61740/guidanceinitiating-and-conducting-scrsfinal-draft110810.pdf>

## **The proposed modification**

National Grid Electricity Transmission (NGET) (“the proposer”) raised modification CM051 in June 2013. The proposal seeks to incorporate the SCR process in line with the CGR Phase 2 licence changes into the STC governance arrangements. The proposed modifications to the STC recognise, amongst other things:

- Ofgem’s role in initiating, leading and managing the SCR process to develop proposals for complex and potentially cross-code changes,
- that Ofgem’s SCR conclusions may result in Authority directions to the relevant licensee to raise STC modifications, and
- the process to be followed where STC modifications are raised during an active SCR process.

## **Responses to the STC Modification Panel<sup>8</sup> consultation**

The STC Modification Panel issued a consultation on CM051 on 30 July 2013. No responses were received.

## **STC Modification Panel recommendation**

The STC Modification Panel voted unanimously to recommend approval of the modification at its meeting on 25 September 2013.

## **The Authority’s decision**

We have considered the Final Modification Report (FMR)<sup>9</sup> for CM051, including the proposed legal text, submitted on 2 October 2013. We have considered and taken into account the assessment of STC parties which are included in the FMR. We note there were no consultation responses.

We have concluded that implementation of the modification proposal would better facilitate the achievement of the STC Applicable Objectives.<sup>10</sup>

## **Reasons for the Authority’s decision**

We consider that this modification better meets the requirements of SLC B12 (6) and facilitates the STC objectives below. We consider that the modification has no impact on the other STC objectives.

*(a) ‘efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act’*

The recent licence modifications made to introduce the SCR process to the STC governance arrangements are now in force. The relevant transmission licensees therefore must ensure that these licence provisions can be efficiently discharged by reflecting them in the STC. The changes proposed by CM051 will ensure that the

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<sup>8</sup> The STC Modification Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

<sup>9</sup> STC modifications appear here: <http://www.nationalgrid.com/uk/Electricity/Codes/sotocode/Modifications/>

<sup>10</sup> The STC Applicable Objectives are set out in Standard Licence Condition B12 of the Transmission Licence.

transmission licensees can discharge their obligations relating to the SCR process efficiently and effectively. We therefore consider that this modification better facilitates this objective.

*(e) 'promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC'*

In our view, the inclusion of the SCR process helps to ensure that complex code changes can occur in a timely and efficient manner. We agree with the views of the Panel that this modification contributes to good industry practice, by aligning the process with other industry codes, and will support the efficient delivery of complex or cross-code changes in the future.

For these reasons, we consider that CM051 better facilitates this objective.

### **Legal drafting**

We note that the legal drafting makes reference to a new STC Procedure (STCP) 25-1. We would encourage the STC Panel to ensure that this STCP is in place in time for the implementation of this modification.

### **Decision notice**

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority has decided to direct that proposed Modification STC CM051 '*Code Governance Review (Phase 2) - Significant Code Review*' should be made.

**Lesley Nugent**  
**Head of Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose