



Stage 4: STC Final Modification Report		At what stage is this document in the process?								
<h2>CM061: Amendment to the OFTO STC Panel Representative election process</h2>		<table border="1"> <tr> <td>01</td> <td>Initial Modification Report</td> </tr> <tr> <td>02</td> <td>Industry Consultation</td> </tr> <tr> <td>03</td> <td>Draft Final Modification Report</td> </tr> <tr> <td>04</td> <td>Final Modification Report</td> </tr> </table>	01	Initial Modification Report	02	Industry Consultation	03	Draft Final Modification Report	04	Final Modification Report
01	Initial Modification Report									
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04	Final Modification Report									
<p>Purpose of Modification: This proposal seeks to modify the System Operator Transmission Owner Code (STC) to align the elections process to those in the SQSS to allow for an 'Alternative OFTO Election Process' and extend the term of office from one year to two years.</p>										
	<p>This modification was raised 7 December 2016 and was presented by the Proposer to the STC Panel on 25 January 2017 for decision. The STC Panel unanimously approved that the change should be subject to self-governance and would better facilitate the STC Applicable Objectives (a) and (e).</p> <p>The STC Panel unanimously determined that the Final Modification Report was issued to Industry for an Appeals Window of 15 Working Days and that pending no Appeals being received that CM061 is implemented no sooner than the 2 Working Days after the Appeals Window closes.</p>									
	<p>Low Impact: National Grid, Scottish Power Transmission, SHE Transmission and OFTOs.</p>									

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Any questions?

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Timetable

The Code Administrator recommends the following timetable:

Self-governance Modification Proposal issued to the STC Panel	14 December 2016
Panel Agree that CM061 meets the self-governance criteria	14 December 2016
Issue Industry Consultation for 15 Working Days	14 December 2016
Industry Consultation closes	9 January 2017
Issue Draft Final Modification Report to industry and the Authority for 5 Working Days	10 January 2017
Draft Final Modification Report issued to the STC Panel	18 January 2017
Panel determination vote	25 January 2017
Appeal Window commences for 15 Working Days	25 January 2017
Appeal Window closes	15 February 2017
Implementation	17 February 2017

1 About this document

This is the STC Final Modification Report which contains the rationale of the STC Panel in determining that CM061 should be implemented.

Information on this Modification can be found via the following link:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/STC/Modifications/CM061/>

2 Summary

What

At the ENA OFTO Forum in February 2016 it was raised that the most efficient method would be for the OFTOs to agree amongst themselves the STC Panel representative without voting. In the instance where all OFTOs could not agree the representatives unanimously then the standard elections provision in Annex B1 would apply.

This issue was originally raised at the STC meetings in February and March 2016:

February 2016 STC Panel meeting: Minute references:

3816¹

LH (National Grid) confirmed that the 2016 OFTO election process for representatives on the STC Modification Panel was ongoing and that voting papers were issued on 8 February 2016 with a submission date of 4 March 2016. The results will be announced by 14 March 2016.

ML (OFTO STC Panel Member) advised that following an ENA OFTO forum, an email regarding STC and SQSS OFTO representatives had been issued. ML will discuss with LH as Modification Panel Secretary.

March 2016 STC Panel meeting: Minute references:

3831²

ML to discuss with LH about email regarding STC and SQSS OFTO representatives. It was noted that the OFTO elections for the STC Panel are continuing as planned. AT (National Grid) agreed to review the OFTO election process as set out within the SQSS, as this was flagged by the OFTO representatives as being a preferable process to the one currently set out in the STC. AT suggested she speak to the OFTO representatives outside of the STC Panel meeting to agree how to progress this governance issue.

¹ <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/STC/Panel-information/Meetings/2013/24-February-2016/>

² <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/STC/Panel-information/Meetings/2013/23-March-2016/>

Why

The last STC Panel OFTO Representative elections took place in 2016. It was identified that the request for nominations was at the same time as nominations for the SQSS and that a more efficient mechanism for nominations would be to align the STC OFTO Elections process to the one contained in the SQSS Annex 1 and to extend the term of office from one year to two years. This Modification has been raised as a direct request from OFTOs.

Under the SQSS OFTO Election Process there is provision for an 'Alternative Election Process' and this Modification has been raised to include this provision into the STC. For the avoidance of doubt if the OFTOs do not unanimously agree to the nomination of the same representatives then the standard election process in Annex B1 of the STC will apply. The updated legal text is included in Appendix 1.

3 Responses to Industry Consultation

The Industry Consultation Report was issued on 14th December 2016 for 15 Working Days. No responses were received.

4 Governance

Justification for Self-Governance Procedures

At the STC Panel on 14th December, the Panel unanimously agreed that this modification proceeded to Industry Consultation and that it met the self-governance criteria. The Consultation opened for a period of 15 working days as recommended by the proposer and closed on the 9th January 2017. No responses were received.

Self-governance rationale

CM061 should follow the self-governance procedure as although when assessed against the materiality guidance³ for Modifications, these changes will have an impact on the Governance of the STC, this change will not impact any other Party than OFTOs and the change is being instigated at the request of the OFTOs.

Prior to raising this Modification the following OFTO representatives were consulted:

- John Sinclair from Balfour Beatty supported the aims of this Modification but notes that the ENA OFTO Forum should be used but that in the absence of this forum that the standard elections process should be followed.
- David Lyon from Blue Transmission supported the aims of this Modification.
- Mike Lee from Transmission Capital supported the aims of this Modification.

³ Guidance on self-governance can be found using the following link
<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Cacop/>

5 Panel determination – January 2017 STC Panel Meeting

The STC Panel at its January 2017 meeting unanimously determined that CM061 met the self-governance criteria and if implemented would better achieve the applicable STC Objectives.

The views of the STC Panel were as follows:

National Grid

National Grid voted that Modification Proposal CM061 met the self-governance criteria and would better facilitate the STC Applicable Objectives (a) and (e) but in particular STC Applicable Objectives (e) as it would aid efficiency in the OFTO STC Panel Representative process. With respect to the other STC Applicable Objectives the view was neutral.

Offshore Transmission Owners (OFTOs)

The OFTO group voted that Modification Proposal CM061 met the self-governance criteria and would better facilitate the STC Applicable Objectives (a) and (e) but in particular STC Applicable Objectives (e) as it would aid efficiency in the OFTO STC Panel Representative process.

Scottish Hydro Electric Transmission plc. (SHET)

Scottish Hydro Electric Transmission voted that Modification Proposal CM061 met the self-governance criteria and would better facilitate the STC Applicable Objective (e) as it would aid efficiency in the OFTO STC Panel Representative process.

SP Transmission Limited (SPT)

SP Transmission voted that Modification Proposal CM061 met the self-governance criteria and would better facilitate the STC Applicable Objective (e) as it would aid efficiency in the OFTO STC Panel Representative process.

The STC Panel determined that the Final Modification Report was issued to Industry for an Appeals Window of 15 Working Days and that pending no Appeals being received that CM061 is implemented no sooner than the 2 Working Days after the Appeals Window closes.

The proposed implementation date will be **17 February 2017**.

6 Implications for the OFTO STC Panel Representative Elections process for April 2017 to March 2018

This Modification is seeking to introduce changes that simplify the process for OFTOs when determining the OFTO Representative on the STC Panel.

Considerations for Election Process for April 2017 to March 2018

Approach 1:

Under the existing provisions the OFTO STC Panel Representatives are appointed on an annual basis, with a term of office from 1st of April to the 31st of March the following year (e.g. 01/04/2016 to 31/03/2017). Section B Part Two details the election voting process to be followed, with the key stage dates being:

- The STC Technical Secretary will by **7 January** send an invitation to nominate candidates and the timetable of activities
- OFTOs have a minimum of 3 weeks (but may be longer dependant on the Election Timetable issued) to send in nominations of candidates
- Results of the election will be made known, but shall not be later than **15 March** in the Election Year.

Due to the requirement to have an Appeals Window of 15 Working Days for a self-governance Modification the implementation of this Modification would mean that it could not be used for the OFTO STC Panel Representative elections for April 2017 to March 2018 but would be in place for the April 2018 appointments. This is due to the fact that the implementation date of the modification, subject to appeals received is the 17th February 2017.

Approach 2:

For the changes this Modification is seeking to implement to be active for the 2017/2018 Election Year there is an option for the STC Panel to extend the OFTO STC Panel Representatives Term of Office by one month (e.g. extend the OFTO Term of Office from ending on 31 March 2017 to ending on 30 April 2017) and delaying commencement of the Election Process until this Modification is implemented on 17 February, subject to no Appeals being received.

The implication of this approach would be that the STC Panel would be non-compliant with Section B Part Two for **one month** but could consider this approach, if it can satisfy itself that this is the best course of action and that it would better facilitate the Applicable STC Objectives:

Relevant Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	Positive as supports efficiency in the election process for OFTOs and would be time bound for one month
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	None
(c) facilitating effective competition in the generation and supply	None

of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity	
(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	None
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	Positive as supports efficiency in the election process for OFTOs
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	None
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	None

The STC Panel considered that this change will better facilitate relevant objective (e), specifically efficiency in in the election of OFTOs STC Panel Representatives.

The STC Panel satisfied itself, at the December 2016 meeting, that **Approach 2** better facilitated the Applicable STC Objectives. The timetable, aligned with this approach, for the Election Process is as follows:

• Date	• Action
• 7 th February 2017	• Invitation sent out to OFTOs to nominate candidates for election of OFTO Representatives and OFTO Alternates
• 25 February 2017 NEW STEP proposed by modification	• OFTOs as at 01 January 2017 in the relevant Election Year, to notify the Panel Secretary in writing of the identity of the Offshore Transmission Owner Party Representatives and/or Offshore Transmission Owner Alternates
• 28 February 2017	• Nominations are to be received by the STC Modification Panel Secretary
• 14 March 2017	• STC Modification Panel Secretary will circulate a list of candidates and voting papers

<ul style="list-style-type: none"> • 4 April 2017 	<ul style="list-style-type: none"> • Voting papers to be submitted to the STC Modification Panel Secretary
<ul style="list-style-type: none"> • By 14 April 2017 	<ul style="list-style-type: none"> • Results of the election will be made known

The STC Panel approved using Approach 2. Under this approach should the OFTOs provide notification to the STC Panel Secretary of the OFTO STC Panel Representatives by 28 February 2017 then the process will stop. In the event that the OFTO STC Panel Representatives are not confirmed to the STC Panel Secretary by 28 February 2017 then the remaining steps will be followed and the standard election provisions in Section B Part Two will be used.

7 Code Specific Matters

The STC Panel, at its meeting on 14 December 2016 and 25 January 2017 unanimously considered that CM061 had met the self-governance Criteria. The STC Panel in making this determination considered the Self Governance Criteria as detailed below:

Self- Governance Criteria:

(a) is unlikely to have a material effect on:

- (i) existing or future electricity consumers; and
- (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity; and
- (iii) the operation of the National Electricity Transmission System; and
- (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- (v) the STC's governance procedures or the STC's modification procedures, and

(b) is unlikely to discriminate between different classes of STC Parties.

As noted in section 2 whilst the Modification will change the governance arrangements in the STC it considered that these will not be material to other parties (other than OFTOs) and will bring forward efficiencies.

8 Solution

It is proposed that that a number of changes are made to STC Section B. The proposed updates can be seen in the legal text contained in Appendix 1 to this document.

9 Impacts & Other Considerations

Consumer Impacts:

The Proposer considers that this will not have any material impact on consumers from the implementation of this Modification.

Environment Impacts:

The Proposer considers that this will not have any material impact on greenhouse gas emissions.

Engagement with the Authority:

Ofgem has been fully engaged with the changes to the Codes and licenses that National Grid administers.

10 Relevant Objectives

Impact of the modification on the STC Objectives:

Relevant Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	Positive as supports efficiency in the election process for OFTOs
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	None
(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	None
(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	None
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	Positive as supports efficiency in the election process for OFTOs

(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	None
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	None

The STC Panel considered that this change will better facilitate relevant objective (e), specifically efficiency in in the election of OFTOs STC Panel Representatives.

11 Implementation

It is proposed that CM061 STC Modification is implemented no sooner than the 2 Working Day after the appeals window closes providing no objections have been raised.

The proposed implementation date will be **17 February 2017**.

12 Legal Text

Attachment 1 contains the final legal text changes to Section B.