



Stage 4: STC Final Modification Report		At what stage is this document in the process?								
<h1>CM062 Aligning Condition B12 of the STC to the licence changes introduced by the Code Governance Review Phase 3</h1>		<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
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<p>Purpose of Modification: CM062 seeks to implement the licence changes to the STC arising from Ofgem’s Code Governance Review (Phase 3).</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 CM062 is implemented no sooner than the 2 Working Days after the Appeals Window closes.</p>									
	<p>Low Impact: National Grid, STC Parties and the STC Panel.</p>									

Contents

1	About this document	3
2	Summary	3
3	Responses to Industry Consultation	3
4	Governance	3
5	Panel determination vote – January 2017 STC Panel Meeting	4
6	Why Change?	5
7	Code Specific Matters	5
8	Solution	5
9	Impacts & Other Considerations	6
10	Relevant Objectives	6
11	Implementation	8
12	Legal Text	8



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 CM062 meets the self-governance criteria	14 December 2016
Issue Industry Consultation for 10 Workings Days	21 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 CM062 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/CM062>

2 Summary

What

CM062 has been raised to implement the licence changes to the STC arising from Ofgem's Code Governance Review (Phase 3). The third phase of Ofgem's review of code governance focusses on ensuring that the governance arrangements of all industry codes deliver both non-material self-governance changes and more complex changes in an efficient and timely way. Section 5 details the areas of change.

Why

CM062 has been raised to implement the licence changes to the STC arising from Ofgem's Code Governance Review (Phase 3).

How

It is proposed that the changes to licence conditions B12 be implemented in the STC. The legal text changes have been developed by National Grid's legal department following discussions with their Ofgem counterparts.

3 Responses to Industry Consultation

The Industry Consultation Report was issued on 21st December 2016 for 10 Working Days. No responses were received.

4 Governance

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 10 working days as recommended by the proposer and closed on the 9th January 2017. No responses were received.

Self-governance rationale

Whilst the changes this Modification is seeking to implement are within the scope of areas of consideration in respect to the self-governance criteria¹ (changes the decision-making capacity of the STC Panel in relation to STC and changes any decision-making capacity of the Authority). The rationale for self-governance is that these changes are introducing the amendments that the Authority has already consulted with industry on and the changes have been mandated by the Authority².

5 Panel determination vote – January 2017 STC Panel Meeting

The STC Panel at its January 2017 meeting unanimously determined that CM062 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 CM062 met the self-governance criteria and would better facilitate the STC Applicable Objective (e). It also considered that the change would better facilitate STC Applicable Objectives (a) as it would implement into the STC the License changes. With respect to the other STC Applicable Objectives the view was neutral.

Offshore Transmission Owners (OFTOs)

The OFTO group voted that Modification Proposal CM062 met the self-governance criteria and would better facilitate the STC Applicable Objective (e).

Scottish Hydro Electric Transmission plc. (SHET)

Scottish Hydro Electric Transmission voted that Modification Proposal CM062 met the self-governance criteria and would better facilitate the STC Applicable Objective (e). It also considered that the change would better facilitate STC Applicable Objectives (a) as it would support compliance of the STC with the License changes.

SP Transmission Limited (SPT)

SP Transmission voted that Modification Proposal CM062 met the self-governance criteria and would better facilitate the STC Applicable Objectives (a) and (e).

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

¹ Self-governance materiality guidance can be found here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Cacop/>

² <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-governance-review>

that CM062 is implemented no sooner than the 2 Working Days after the Appeals Window closes.

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

6 Why Change?

As part of Ofgem's CGR3 Final Proposals, Ofgem consulted on licence drafting to introduce proposed amendments to the Significant Code Review (SCR) process. This Modification has been raised to align the licence changes to the provisions set out in Section B and Section J of the STC.

7 Code Specific Matters

Not applicable for this Modification.

8 Solution

As detailed on Ofgem's website³ the changes to Condition B12 relate to the introduction of more flexibility to the STC Modifications process for SCRs. The changes comprise of:

Introducing the ability for the Authority to raise a STC Modification following the end of a SCR:

- Introducing into Section B the ability for the Authority to raise a STC Modification Proposal arising from the relevant SCR.

Introducing the ability for the Authority to end a SCR:

- Introducing into Section B an additional route to which the Authority can deem a SCR has ended.

Introducing the ability for the Authority to lead an end to end STC SCR Modification:

- Introduce provisions for an Authority led end-to-end STC SCR Modification.

Backstop Direction

³ <https://www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals>

- Introduce a Backstop Direction where by a STC Modification Proposal that has been made in relation to a SCR, the Authority may issue a Backstop Direction, which requires such proposal(s) and any alternatives to be withdrawn and which causes the Significant Code Review phase to recommence.

These changes will be reflected in Section B and Section J of the STC. The red-lined draft changes are included as attachments to this Modification Proposal.

For information only:

Self-Governance

- Part of CGR3 is to change the way that Modifications are assessed such they should be considered as self-governance unless the change can be materially evidenced by the Proposer that the defect is material enough and should therefore **not** be assessed as self-governance. No changes to the STC have been identified for inclusion in this Modification.

The full set of proposed legal text changes are detailed on Ofgem’s website:

www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implement-code-governance-review-phase-3-final-proposals.

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 licences that National Grid administers.

10 Relevant Objectives

The STC Panel determined that Modification CM062 will better facilitate:

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

(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
(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 in providing efficiency in the implementation of the arrangements described in the STC, by aiding the acceleration in the change process and enable more efficient delivery of priority Modifications.

In addition the STC Panel in its deliberations considered that relevant objective (a) would be better facilitated as it would efficiently implement the license changes into the STC.

The full set of the legal text changes are detailed on Ofgem's website:

www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licences-implementation-code-governance-review-phase-3-final-proposals

11 Implementation

It is proposed that CM062 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 for Section B of the STC and Attachment 2 contains the final legal text changes for Section J of the STC. These have been provided by National Grid's legal department and have been developed in conjunction with Ofgem's legal department.