

Modification proposal:	<b>Connection and Use of System Code (CUSC) CMP220: Code Governance Review (Phase 2) - Fast Track Self-Governance and Objection Process</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	National Grid Electricity Transmission PLC (NGET), Parties to the CUSC and other interested parties		
Date of publication:	19 November 2013	Implementation Date:	3 December 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 in order to increase transparency and accessibility for all industry participants.

The CGR final proposals in March 2010 included the introduction of a self-governance process into the CUSC. Under this process, a modification proposal that would be unlikely to have material impacts on, for example, consumers, competition or sustainable development, could be determined by the CUSC Panel without reference to the Authority for decision. We considered that allowing such modifications to be determined by industry would reduce costs and improve efficiency by facilitating faster implementation of modification proposals. We also considered it would ensure that our resources are focused on matters that are more material to consumers (and/or our other statutory duties), which is consistent with our Better Regulation duties.

In April 2012, we initiated a second phase of the CGR (CGR Phase 2) to extend the arrangements implemented through the CGR to other industry codes.<sup>4</sup> At the same time, we also considered whether any improvements could be made to the self-governance processes introduced by the CGR. Our CGR2 final proposals,<sup>5</sup> which were implemented through licence modifications,<sup>6</sup> introduced the requirement for a 'fast track' self-governance process to be included within the CUSC. This process is aimed at ensuring further efficiencies in order that very minor 'housekeeping' changes could be made by the CUSC Panel without the requirement to follow the full code modification process.<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 final proposals are here: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-final-proposals-4310>

<sup>4</sup> The CGR focussed primarily on the BSC, the CUSC and the UNC.

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

<sup>6</sup> The licence modifications came into effect on 5 August 2013 and are here: <https://www.ofgem.gov.uk/publications-and-updates/modification-gas-and-electricity-licences-implement-code-governance-review-phase-2-final-proposals>

<sup>7</sup> The Electricity Transmission Standard Licence Condition (SLC) C10 provides that unanimous CUSC Panel support is a requirement for a 'fast track' modification, and that CUSC parties, NGET and the Authority can object to a 'fast track' modification as an appropriate safeguard.

## **The modification proposal**

National Grid Electricity Transmission (NGET) (the 'Proposer') raised modification CMP220 in July 2013 to implement the new 'fast track' self-governance process into the CUSC.

The modification seeks to incorporate the 'fast track' self-governance process into the CUSC in line with the CGR Phase 2 licence changes. In the proposer's view, CMP220 would align the CUSC governance rules with the Transmission Licence. The proposed solution would allow the implementation of minor housekeeping changes<sup>8</sup> that the CUSC Panel unanimously agrees meet the 'fast track' criteria, in shorter timescales and without the Authority's approval. As a safeguard, CUSC parties, NGET and the Authority would be able to object to the Panel's approval of such changes up to 15 business days after the Panel's decision.

The CUSC Panel consulted on CMP220 in August 2013. There were two responses, both supportive of the modification.

## **CUSC Panel<sup>9</sup> recommendation**

The CUSC Panel considered the draft Final Modification Report for CMP220 at its meeting on 27 September 2013. All the Panel members present at the meeting voted in favour of the modification, stating that it better facilitates the Applicable CUSC Objectives. In particular, Panel members unanimously considered that objective (a) (efficient discharge by the licensee (NGET) of its licence obligations) is better met. The views of Panel members are set out in full in the Final Modification Report (FMR).<sup>10</sup>

## **The Authority's decision**

We have considered the issues raised by the modification proposal and the FMR dated 15 October 2013. We have considered and taken into account the responses to the Code Administrator consultation on the modification proposal which are attached to the FMR. We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the CUSC<sup>11</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties.<sup>12</sup>

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

We have considered the views of the CUSC Panel and the respondents to the industry consultation who unanimously agreed that CMP220 should be approved. We consider that this modification better meets the requirements of SLC C10(6) and facilitates CUSC objective (a), as set out below. We consider that the modification has no impact on the other CUSC objectives.

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<sup>8</sup> Such changes may include correcting typographical and formatting errors or correcting outdated references.

<sup>9</sup> The CUSC Panel is established and constituted from time to time pursuant to and in accordance with the section 8 of the CUSC.

<sup>10</sup> CUSC modification proposals, modification reports and representations can be viewed on NGET's website at <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/>

<sup>11</sup> Set out in Standard Condition C10(1) of NGET's Transmission Licence, available at: <https://epr.ofgem.gov.uk/Document>

<sup>12</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

*Objective (a) 'the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence'*

The recent Electricity Transmission licence modifications made to introduce the 'fast track' self-governance process into the CUSC are now in force. The changes proposed by CMP220 will ensure that NGET can efficiently discharge its licence obligations relating to the 'fast track' process through the CUSC governance rules.

We consider that the ability for the Panel to unanimously decide on minor housekeeping modifications that meet the 'fast track' criteria, with the safeguard of the objections process, should provide a more efficient governance process.

We therefore consider that this modification better facilitates applicable CUSC objective (a).

### **Decision notice**

In accordance with Standard Condition C10 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal CMP220: '*Code Governance Review (Phase 2) - Fast Track Self-Governance and Objection Process*' be made.

**Lesley Nugent**

**Head of Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose