

Terms of Reference for STC Working Group

Background

1. The Ofgem/BERR July 2007 policy statement set out our view that the role of an offshore transmission owner ("OFTO") may not be a direct equivalent to that of an existing onshore transmission owner ("TO"). We also noted a need to establish a working group to assist Ofgem/BERR with our assessment of the appropriateness of STC Sections C and D offshore.
2. We have decided to establish a working group (the "STC working group") to assist Ofgem and BERR in their decisions relating to the STC requirements for offshore transmission. The STC working group is asked to consider whether the STC is appropriate to apply offshore. This review work should take account of all current offshore transmission proposals and in particular the recommendations from the Grid Code sub group¹.
3. We require the STC working group to:
 - Consider the expected scope of the OFTO role.
 - Review all sections of the STC.
4. We have invited NGET to chair the STC working group. Two meeting dates have been scheduled for the STC working group for:
 - 9 October 2007 at National Grid's Warwick office.
 - 22 October 2007 at national Grid's Northampton office.
5. We are seeking representatives for this new STC working group. Please provide nominations to Bridget Morgan (bridget.morgan@ofgem.gov.uk) by 27 September 2007.

Structure of STC Working Group

6. Ofgem/BERR's Offshore Project Board (the "Project Board") considers that the STC working group requires a focussed membership reflecting the complex technical nature of the issues that need to be considered. We consider that members of the STC working group should include:
 - Parties who are, or will soon be, directly and significantly involved and experienced in the development of imminent offshore transmission networks.
 - STC Committee members or parties nominated by STC Committee members.
 - Parties who are familiar with obligations within other industry codes².
7. Ofgem/BERR will have the right to invite other representatives to participate should the STC working group recommend that additional expert knowledge is required.
8. The number of representatives from each invited party will be limited to one (other than NGET who will be limited to one representative of its GBSO activity and one representative of its TO activity). Each representative will be able to invite an additional technical advisor to working group meetings as required. We have asked NGET to chair this working group. The working group at their first meeting will be required to appoint a technical secretary. It is recommended that this role is filled by an industry representative.
9. Representatives from Ofgem and BERR will also be invited to the working group meetings. The frequency, timing and location of the meetings will be agreed at the first meeting.

¹ The Grid Code sub group's recommendations are available from Ofgem's website at:
<http://www.ofgem.gov.uk/Networks/Trans/Offshore/GridCode/Documents1/69E0B4EE.pdf>
<http://www.ofgem.gov.uk/Networks/Trans/Offshore/GridCode/Documents1/Grid%20Code%20final%20reportV3.pdf>

² Changes to the STC may have consequential impacts on other industry codes.

Purpose

10. The STC working group is an advisory body, not a decision making body. The purpose of the STC working group is to assist the Project Board by completing a review of the applicability of the current STC to offshore transmission networks. The purpose of this review is to:
 - Consider if the split of STC obligations are appropriate to apply to NGET and OFTOs.
 - Consider if existing STC obligations are appropriate to apply offshore.
 - Develop proposals to change the STC to incorporate new offshore electricity transmission network arrangements.
11. The STC working group should assume for the purposes of this review work that the STC will be extended to include offshore arrangements. The STC working group is required to consider the impact of any recommendations on STC procedures but is not required to develop specific recommendations relating to STC procedures.
12. In conducting the above review, the STC working group will need to take account of the need (these are listed in no particular weighting or order):
 - To ensure the safe, secure and economic operation of all transmission systems and offshore generation;
 - To clearly and robustly define all recommended changes to minimise the risk of misinterpretation;
 - To avoid undue discrimination on a geographic basis;
 - To ensure consistency and compatibility with the onshore framework and industry structure, and
 - To promote equality of treatment in respect of both transmission owners and Users of Offshore Networks.
13. The review work requested of the STC working group:
 - Does not constitute a fundamental review of existing obligations within the STC. The STC working group is asked only to consider changes required to the existing STC obligations for application offshore, and whether any new provisions are required.
 - Should not result in any unjustified additional capital investment in the onshore transmission or distribution network.
 - Should not result in any unjustified capital investment for offshore transmission networks.
 - Should not result in any unjustified costs (capital and operational) for offshore generators.
 - Should not lead to any significant change to the existing security and quality of supply delivered to onshore transmission customers.
 - Should not result in any unjustified increase in the system operation costs associated with the onshore transmission and distribution network, and
 - Should not have an impact on the current transmission charging methodology.

Participation

14. Participants at any working group acknowledge and agree that any draft text disclosed to them is confidential and must not be disclosed to any other person, business or undertaking other than the participants in the working group meeting, their employees directly involved with this work and their advisors directly involved with this work or as the participants in the working group may agree.
15. While the active participation of participants in any working group is sought with the evaluation of technical and operational rules, all participants acknowledge and agree that Ofgem/BERR are ultimately responsible for determining the form and content of the STC requirements relating to offshore transmission and any discussion in meetings and views expressed or implied in such discussion or document are entirely without prejudice to and shall not limit the discretion of Ofgem/BERR with regard to the final form and content of the document.

16. The participants also acknowledge and agree that the participation (including any discussion in meetings and views expressed or implied in such discussion or papers) in meetings, is entirely without prejudice and shall not limit the discretion of any party to comment during any future consultation of any Ofgem/BERR proposals published concerning the STC requirements relating to offshore transmission.

Deliverables

17. The chair of the STC working group will be required to provide a report to Ofgem/BERR:

- Detailing the findings of the working group's review of the existing STC identifying any issues associated with extending the STC obligations to cover offshore transmission networks.
- Presenting the options considered by the STC working group as part of its review.
- Recommending proposed changes to the STC.

18. Whilst it is desirable for recommendations to be a working group consensus position, it is acknowledged that this may not be possible in the timescales proposed for this working group. The chair of the working group is required to make a recommendation and in the absence of a consensus position should present:

- A recommendation based on NGET's view of changes needed to facilitate offshore transmission arrangements.
- A full description of the alternative views of other working group members.

19. The STC working group may also be required to provide responses to queries that are raised by the Project Board.

20. It is expected that upon receipt of the submitted report Ofgem and BERR will carry out a full industry wide consultation on the STC working group's recommendations.

21. NGET has been asked to develop draft legal text that codifies the changes to the Grid Code and STC recommended by the Grid Code sub group. NGET will be asked to develop draft legal text that codifies changes recommended by the STC working group. Other existing parties to the STC³ have agreed to assist NGET by reviewing legal drafting. The STC working group will be invited to review draft legal text to assist NGET in developing STC amendment proposals.

22. At the present time it is expected that any decision to make changes to the STC will be made by the Secretary of State.

Accountability

23. The STC working group will report to the Project Board. This reporting will be routed through the Ofgem/BERR representative in attendance at the relevant meetings. The chair of the STC working group may also be required to provide reports to the Project Board in person. The chair of the STC working group will ensure that work is progressed by the STC working group in accordance with the Project Board's instructions.

Timescales

24. The STC working group is required to complete its review of the existing STC provisions and recommend any proposed changes to the STC obligations by 31 October 2007. The chair of the STC working group should submit this report to Bridget Morgan (bridget.morgan@ofgem.gov.uk) by 31 October 2007. Ofgem will submit this report to the Project Board meeting on 15 November 2007.

³ SP Transmission Limited and Scottish Hydro Electric Transmission Limited.