

Amendment proposal:	System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CA043: Clarification of Working Groups within the Evaluation Phase		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission PLC (NGET), Parties to the STC and other interested parties		
Date of publication:	8 December 2011	Implementation Date:	15 December 2011

Background to the amendment proposal

Section B of the STC sets out the STC governance arrangements, including the process by which proposed changes to the STC (STC amendment proposals) are assessed once they are raised. The STC Committee, which oversees STC governance, can either:

- send a proposal to the Evaluation Phase where the Committee decides that further information is needed to assess whether the proposal better facilitates achievement of the Applicable STC Objectives or
- send a proposal to the Assessment and Report Phase where the Committee decides that further information is not needed to make that assessment and the proposal is ready for industry consultation.

STC amendment CA039³ was the first to be sent to the Evaluation Phase (Section B 7.2.4). The evaluation was undertaken by a working group set up for this purpose but the process for evaluation was not clearly set out in B7.2.4. As a result, the STC Committee stated that it would be appropriate to have greater clarity around the Evaluation Phase – its purpose and its use.

A number of other industry codes, notably the Connection and Use of System Code (CUSC) and the Grid Code, use Workgroups to develop proposals and assess further information which is then used to determine whether proposals better facilitate one or more of the code's applicable or relevant objectives.

The proposed Amendment

NGET raised CA043 in June 2011. The amendment proposal seeks to make a number of changes to Section B of the STC in order to clarify the use of the Evaluation Phase and incorporate additional governance around the use of Workgroups during the assessment of STC amendment proposals. Specifically with regard to Workgroups, the proposal would:

- adopt use of the term 'Workgroup' in line with the terminology used in other codes
- set out how a Workgroup should be composed in order for it to be quorate
- set out a number of other processes regarding the role of a Workgroup and how it should conduct its business such as –
 - the appointment of the Workgroup chair by the STC Committee

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

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

³ The Authority approved CA039 in August 2011. Further details about the proposal are available on the NGET website: <http://www.nationalgrid.com/uk/Electricity/Codes/sotocode/Archive/ArchiveAmendments/>.

- the Committee's role in finalising the Workgroup Terms of Reference and the content of those Terms of Reference
- the Workgroup's responsibility to assess any alternatives to an amendment
- the Workgroup's production of a report for the Committee in order to meet its Terms of Reference
- the attendance of the Workgroup chair to present the Workgroup Report at the relevant Committee meeting and
- consideration by the Committee of whether the Workgroup has fulfilled its Terms of Reference and whether the amendment proposal can move on to the Assessment and Report phase

There are no alternative amendments to CA043.

Responses to the STC Committee⁴ consultation

A consultation on the amendment proposal took place in September 2011. One response was received which supported the amendment proposal. However, the respondent noted that Workgroup members should have the ability to vote on the amendment proposal and that the quorum for a Workgroup should include a non-Transmission Owner (TO) party.

In the STC Committee's view, the Workgroup Report should set out the views of all Workgroup members and so no formal voting process is needed. The Committee also considered that a non-TO party is not required for a Workgroup quorum but that participation in a Workgroup would be open to all.

The STC parties provided their own assessment of the amendment proposal. In the view of NGET, the Offshore Transmission Owners (OFTOs), Scottish Hydro-Electric Transmission Limited (SHETL) and SP Transmission Limited (SPT), the amendment proposal would have no physical impact on their transmission systems or IT systems.

STC Committee recommendation

The STC Committee considered the draft Final Amendment Report for CA043 at its meeting on 25 October 2011. The Committee recommended that the amendment proposal should be approved and that it better facilitates the achievement of Applicable STC Objectives (a) and (e) as it would ensure the efficient discharge by NGET of its transmission licence obligations regarding the STC and would improve the efficient implementation and administration of the STC.

The Authority's decision

The Authority has considered the final Amendment Report for CA043, including the proposed legal text, submitted on 4 November 2011. The Authority has considered and taken into account the responses which are included in the final Amendment Report.

The Authority has concluded that implementation of the amendment proposal would better facilitate the achievement of the Applicable STC Objectives⁵.

⁴ The STC Committee is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

⁵ The Applicable Objectives are set out in Standard Licence Condition B12 (3) (a) to (f) of the Transmission Licence. On 10 November 2011, the Electricity and Gas (Internal Markets) Regulations 2011 came into force, which implement the Third Package of EU legislation on the internal gas and electricity markets. The regulations introduce a new code objective to a number of industry codes regarding a requirement for future code changes

Reasons for the Authority's decision

In making our decision, we have noted the views of the STC parties and the respondent to the CA043 consultation.

Applicable STC Objective (a) 'the efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act'

We note that the process around the Evaluation Phase has not been sufficiently clear to date as highlighted during the evaluation of STC amendment CA039. There was confusion around the use of a working group during the Evaluation Phase. The amendment proposal aims to clarify the use of the Evaluation Phase process by setting out in detail the role of a Workgroup in the Evaluation Phase and how it should conduct its business, guided by the STC Committee which sets its Terms of Reference.

In our view, the proposed text changes would improve the clarity of the Evaluation Phase by setting out the role of a Workgroup in evaluating amendment proposals in more detail than is presently the position, and provide a more efficient change process.

We agree that STC Objective (a) is better facilitated by the amendment proposal.

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

We note that it is good industry practice to ensure that code change proposals are evaluated in an appropriate manner and that an efficient and effective process for doing so should form part of the codes governance process. This is the case with the Grid Code and the CUSC which both use Workgroups to assess change proposals. In the case of the STC, the lack of clarity about the use of the Evaluation Phase and the concerns raised about its purpose suggest that there is a defect in the current process to be addressed.

In our view, the increased detail now proposed around the Evaluation Phase and the role of a Workgroup should assist the STC Committee to use this part of the process with greater confidence than previously as and when this is appropriate. Increased transparency around the role of a Workgroup in the STC also provides confidence to code users about how the evaluation of STC amendment proposals will take place. The amendment proposal also brings the STC in line with other industry codes in demonstrating good practice when assessing change proposals through Workgroups.

We agree that STC Objective (e) is better facilitated by the amendment proposal.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority has decided to direct that proposed Amendment STC CA043 '*Clarification of Working Groups within the Evaluation Phase*' should be made.

to comply with the EU Third Package Regulation (Regulation (EC) 714/2009) and any relevant legally binding decisions of the EU Commission and/or the Agency for the Cooperation of European Regulators (ACER). The Third Package implementing regulations in error did not make a similar change to SLC B12 (3) to incorporate a new code objective for the STC. The Authority intends to make an appropriate licence change in due course to include the new objective. We recommend that the STC Committee should be cognisant of this in considering future amendment proposals pending the licence change being made. The Third Package implementing regulations can be viewed at the following link: <http://www.legislation.gov.uk/ukxi/2011/2704/contents/made>

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Signed on behalf of the Authority and authorised for that purpose