

Amendment proposal:	System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CA044: Clarification of STC Party & Party Representatives' Responsibilities		
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:	05 March 2012	Implementation Date:	12 March 2012

Background to the amendment proposal

Section B of the System Operator (SO) – Transmission Owner (TO) Code (STC) sets out the governance arrangements for the Code. There are a number of references in Section B to 'Party' and 'Parties' which refer to those parties which have acceded to the STC and are able to play a part in STC governance. One example of the role played by STC parties in governance is that they can appoint representatives to the STC Committee³.

In the case of National Grid Electricity Transmission PLC (NGET) and the onshore TOs, they may each appoint up to two representatives to the STC Committee. In the case of Offshore Transmission Operator (OFTO) parties⁴, they may also appoint up to two representatives to the STC Committee after an election process⁵. These OFTO appointed representatives are expected to represent the interests of all OFTO acceded parties collectively and in an impartial manner. Currently there is no definition of 'Party Representative(s)' in Section B and, therefore, no reference to the role of a Party Representative(s), especially where that role is performed for a number of parties collectively⁶. Therefore, Section B may currently be making incorrect references to 'Party' and 'Parties' in the STC.

The proposed Amendment

NGET raised CA044 in June 2011. The proposal seeks to amend the STC so that references to 'Party', 'Parties' and 'Party Representative(s)' are provided and the appropriate reference to each term made throughout Section B. The proposal also seeks to set out clearly the role and duties of a 'Party Representative(s)'. In NGET's view, the proposal does not seek to make material changes to the STC. NGET considers that STC Applicable Objectives (a) and (e) are better facilitated.

Responses to the STC Committee consultation

All of the STC parties (NGET, onshore TOs individually and the OFTO parties collectively) agree that the proposal does not have an impact on their physical systems or affect their IT systems. Three replies were received in response to the CA044 consultation all of

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

⁴ Preferred Bidders for offshore projects are required to accede to the STC to become a successful bidder under the Tender Regulations (SI1903/2010).

⁵ The election process for OFTO party representatives is set out in Annex B1 of the STC. The first election for OFTO representatives to the STC Committee took place in early 2011.

⁶ NGET and the onshore TOs each represent themselves through their appointed party representatives. The concept of collective representation has arisen because of the accession of OFTO parties.

which supported the proposal but also raised further issues associated with STC governance in general.

STC Committee recommendation

The STC Committee considered the draft Final Amendment Report for CA044 at its meeting in December 2011. The Committee unanimously recommended that the amendment proposal should be approved for implementation five business days after an Authority decision to approve. The views of the Committee are available in the Final Amendment Report⁷.

The Authority's decision

The Authority has considered the Final Amendment Report for CA044, including the proposed legal text, submitted on 30 January 2012. 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 STC Applicable Objectives⁸.

Reasons for the Authority's decision

We have considered the reasons provided by the proposer of CA044 and the STC Committee against the STC Applicable Objectives. We agree that the proposal does better facilitate Applicable Objectives (a) and (e). We also consider that the proposal is neutral against the remaining Objectives.

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

We note the views of STC parties and respondents to the consultation that the proposal intends to improve the clarity of the use of the terms 'Party', 'Parties' and 'Party Representative(s)' and the roles and responsibilities that each have in the STC governance process. We agree that improving clarity in the way that the terms are used in Section B of the STC will provide all STC parties with a better understanding of their obligations under the Code and allow them to discharge their licence obligations to deliver STC arrangements more efficiently and effectively as a result.

For this reason, we agree that the proposal does better facilitate the achievement of this Applicable Objective.

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

We agree that the proposal has a direct beneficial impact on the implementation of the STC arrangements if parties are more aware of their roles and responsibilities and those of their party representatives as set out in revised Section B. In particular, the OFTO party representatives are expected to collectively represent the interests of all OFTO

⁷ STC amendment proposals, amendment reports and representations can be viewed on NGET's website at <http://www.nationalgrid.com/uk/Electricity/Codes/sotocode/Amendments/>.

⁸ The Applicable Objectives are set out in Standard Licence Condition B12 (3) (a) to (f) of the Transmission Licence.

parties and not just those of their employer. The revised text in Section B seeks to improve clarity and reflect the role that these party representatives and those of other STC parties play in the governance process. This greater clarity should assist in the improvement of the overall efficiency and administration of the STC governance process.

For this reason, we agree that the proposal also better facilitates the achievement of this Applicable Objective.

Other issues

We note that consultation respondents raised two particular issues in their replies regarding STC governance processes.

Regarding the first issue, we agree with the Committee that the involvement of non-TO parties on the Committee is not necessary. In our view, the STC sets out the contractual relationship between TO parties and between TOs and the SO. So long as the STC governance process provides an inclusive, accessible and transparent scrutiny of STC amendment proposals through consultation with a wider group of stakeholders, the process should operate efficiently and effectively to reflect wider needs.

With regard to the second issue, we note and agree with the Committee that how OFTOs share information and develop a collective view which is then expressed through their party representatives is largely a matter for OFTOs themselves. Any need to clarify how this is achieved through the STC would need to be the subject of a further amendment, as would any proposal to clarify the voting arrangements on the Committee.

Legal text

We note that NGET has highlighted to us an erroneous deletion of text referring to the definition of a meeting of the STC Committee ('Committee Meeting') in B6.1.2 of the revised Section B text. We agree that this error is relatively minor and should be corrected through a future STC amendment proposal. We also note that a further minor change is required in B3.2.2 (removal of 'other' before 'Party Representatives') which ought to be rectified in the same way.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority has decided to direct that proposed Amendment STC CA044 '*Clarification of STC Party & Party Representatives Responsibilities*' should be made.

Declan Tomany
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Smarter Grids and Governance

Signed on behalf of the Authority and authorised for that purpose