

Amendment proposal:	System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CA048: Alignment of Terminology with other industry codes		
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:	10 October 2012	Implementation Date:	17 October 2012

Background to the amendment proposal

Ofgem set out the final proposals for the Code Governance Review³ (CGR) in March 2010. The aim of the CGR was to make improvements to the industry code governance arrangements, recognising the changes that have occurred in the gas and electricity markets since the industry codes were introduced. In particular, there is increased participation from new entrants and smaller parties. The industry codes are the contractual arrangements that underpin the electricity and gas wholesale and retail markets and licensed parties are obligated to comply with them.

One outcome in our final proposals was the development of a Code Administration Code of Practice (CACoP)⁴. The CACoP was created to establish a common set of principles for code governance. One benefit of the CACoP is to provide a degree of uniformity and streamlining of industry code processes to make it easier for market participants to engage with those processes.

The licence changes made as a result of the CGR required three of the industry codes to be consistent with the CACoP principles, namely, the Balancing and Settlement Code (BSC), the Connection and Use of System Code (CUSC) and the Uniform Network Code (UNC). The possibility of extending the outcomes of the CGR to other industry codes was left open. In September 2012, we published a consultation⁵ seeking views on our initial proposals to extend the CGR outcomes to other codes (CGR Phase 2), including the STC.

The proposed Amendment

Following a review by the STC Committee of whether the STC should be amended in line with the CGR recommendations, National Grid Electricity Transmission (NGET) formally raised CA048 in April 2012 to proceed through the Amendment and Report Phase. The amendment seeks to make a number of changes to align certain defined terms in the STC in line with the terminology used in the CACoP. The proposed changes would introduce amended defined terms in the STC that are more consistent with similar terms used in the code governance rules in the BSC, the CUSC and the UNC, for example, 'Proposed Amendment' becomes 'STC Modification Proposal'.

In addition, the following changes are also proposed:

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 CGR final proposals are on our website:

<http://www.ofgem.gov.uk/LICENSING/INDCODES/CGR/Pages/GCR.aspx>

⁴ The CACoP appears on our website:

<http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/FinalCoP.pdf>

⁵ See footnote 3 above for a link to this consultation.

- to align the STC governance rules with Principle 9 of the CACoP so that changes to legal text produced to support an amendment proposal are consulted on, except where such changes are minor corrections, in which case these may be agreed by the STC Committee;
- to make a number of minor housekeeping changes including the correction of an erroneous deletion of text in Section B 6.1.2 and the re-insertion of text in Section B 3.2.2 which was identified in our decision letter for STC amendment CA044.⁶

No alternative amendment proposal was raised.

Responses to the STC Committee⁷ consultation

There were no responses to the STC Committee's consultation which closed on 2 August 2012.

STC Committee recommendation

The STC Committee considered the draft Amendment Report for CA048 at its meeting on 29 August 2012. The Committee has recommended to the Authority that CA048 is approved as better facilitating the STC Applicable Objectives. The assessment of the STC parties is set out in full in the final Amendment Report.⁸

The Authority's decision

We have considered the final Amendment Report for CA048 and the proposed legal text. We note that no responses were received to the CA048 consultation.

We have concluded that implementation of the amendment proposal would better facilitate the achievement of the STC Applicable Objectives.⁹

Reasons for the Authority's decision

In our view, the amendment better facilitates Applicable STC Objective (e) and is neutral in respect of the other Applicable STC Objectives.

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

The CACoP sets out a number of principles which, if replicated across industry codes, should have a positive effect on the transparency and accessibility of code governance processes and assist the understanding of those who engage with them. We consider that greater consistency between the different code governance processes has a beneficial impact on how effectively and efficiently those processes can be accessed and implemented.

⁶ The CA044 decision letter highlights the proposed drafting change. The letter is on our website: <http://www.ofgem.gov.uk/Licensing/ElecCodes/SOTOCCode/Mods/Documents1/CA044D.pdf>.

⁷ The STC Committee is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

⁸ The final Amendment Report is on NGET's website: <http://www.nationalgrid.com/NR/rdonlyres/BB13B20F-B9E5-4CB5-A354-46568CC7A0D6/56310/CA048Stage03AmendmentReportv10.pdf>.

⁹ The Applicable Objectives are set out in Standard Licence Condition B12 (3) (a) to (f) of the Transmission Licence.

We note that the CACoP requires the use of clear English in documents produced by code administrators and encourages the use of consistent terminology to describe the code change processes.

The changes to the defined terms proposed by this amendment develop greater consistency with similar terms used in other industry codes such as the BSC and the CUSC. The use of terminology consistent with other codes to describe particular elements of the STC governance process should assist stakeholders to understand their common use and context in all codes and is a step towards the implementation of best practice in the STC.

The application of Principle 9 of the CACoP in the STC governance rules will ensure that an effective process is in place to correct legal text errors prior to the submission of a final report to the Authority. The early correction of drafting errors should be beneficial in providing an efficient approach to amending the STC.

We also note that a number of minor housekeeping changes are proposed. We agree with STC parties and the STC Committee that the replacement, addition or deletion of inconsistent text promotes both clarity and efficiency when implementing the STC arrangements.

For these reasons, we consider that the proposed amendment better facilitates Applicable Objective (e).

CGR Phase 2

We noted above that we are currently consulting on proposals to extend the CGR outcomes to other codes, including the STC, through CGR Phase 2. As part of this consultation we are proposing to align certain code modification terminology across the relevant licence conditions. In particular, we propose to adopt the term 'modification' in place of 'amendment' or similar terms, and 'panel' in place of 'committee'. These proposals are subject to consultation. We acknowledge the work done by the STC Committee through CA048 to align the terminology in the STC with the CACoP and other codes.

Housekeeping amendment

We are also content with the proposed minor housekeeping amendment to Section B 6.1C.4 to replace the reference to 'CUSC' with 'STC', and that this is reflected in the final legal text when CA048 is implemented. The draft text submitted with the final Amendment Report simply deletes the reference to 'CUSC', rather than replacing this with 'STC'.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority has decided to direct that proposed Amendment STC CA048 '*Alignment of Terminology with other industry codes*' be made.

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Signed on behalf of the Authority and authorised for that purpose