

To: All holders of an electricity transmission licence

NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify all electricity transmission licences granted or treated as granted under section 6(1)(b) of the Act by –
 - a. Amending the following Standard Condition in Section B:
 - Condition B12: System Operator – Transmission Owner Code, and
 - b. Amending the following Standard Conditions in Section C:
 - Condition C3: Balancing and Settlement Code (BSC);
 - Condition C10: Connection and Use of System Code (CUSC); and
 - Condition C14: Grid Codeas set out in Schedule 1 to this Notice.
2. In summary, the reason why the Authority proposes to make these licence modifications is to give effect to Code Governance Review phase 2, Final Proposals.
3. The effect of the proposed modifications is to implement the Code Governance Review phase 2, Final Proposals into the governance procedures of the:
 - Balancing and Settlement Code;
 - Connection and Use of System Code;
 - System Owner – Transmission Owner Code; and
 - Grid Code.
4. Specific details on the reasons and effect of the proposed modifications can be found in Schedule 2 of this notice.
5. Further details and background on these proposed changes are set out in the following documents:
 - a. [Code Governance Review phase 2 consultation](#);
 - b. [Code Governance Review phase 2 - illustrative licence drafting](#); and
 - c. [Code Governance Review \(Phase 2\) final proposals](#).
6. Relevant licence holders for the purposes of the modifications referred to in paragraph 1(a) are all holders of an electricity transmission licence at the relevant time with the Standard Conditions referred to in paragraph 1(a) in effect in their licence.
7. The relevant licence holder for the purposes of the modification referred to in paragraph 1(b) is National Grid Electricity Transmission plc.
8. Copies of the proposed modifications and other documents referred to in this notice are available on the Ofgem website (www.ofgem.gov.uk).

9. Any representations on the proposed licence modifications may be made on or before 26 April 2013 to: Lisa Charlesworth, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to licensing@ofgem.gov.uk.
10. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
11. If the Authority decides to make the proposed modification it will take effect not less than 56 days after the decision is published.

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Hannah Nixon
Senior Partner, Smarter Grids and Governance (Distribution)
Duly authorised on behalf of the
Gas and Electricity Markets Authority

27 March 2013

Schedule 1 – Proposed modifications to the standard conditions of the electricity transmission licence

Condition B12: System Operator – Transmission Owner Code

1. The licensee shall, in common with those other transmission licensees to which this condition applies, at all times have in force a STC, being a document which:
 - (a) sets out terms as between STC parties whereby the national electricity transmission system and each STC party's transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;
 - (b) is designed to facilitate achievement of the objectives set out in paragraph 3;
 - (c) includes the ~~amendment~~ modification procedures required by paragraph 6-~~6H~~; ~~and~~
 - (d) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC; and
 - (e) The licensee shall be taken to comply with this paragraph by:
 - (i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect, the document designated by the Secretary of State for the purposes of this condition; and
 - (ii) ~~amending~~ modifying such document from time to time in accordance with the transition ~~amendment~~ provisions and the provisions of paragraphs 6-~~6H~~ and 7 below.

2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the national electricity transmission system and each STC party's transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided, are those which:
 - (a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees and STC parties arising under any relevant licences, codes or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and
 - (b) provide for matters which include:
 - the provision of transmission services,
 - the operation, including the configuration, of the national electricity transmission system,
 - the co-ordination of the planning of STC parties' transmission systems,
 - the progression of matters necessary to respond to applications for new connections (or amendments of existing connections),
 - planning for, and co-ordination of, transmission outages,
 - procedures for developing, agreeing and implementing party entry processes,
 - the resolution of disputes,

- the exchange of information between STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences and other relevant statutory obligations,
- procedures to enable the system operator to produce information about the national electricity transmission system in accordance with standard condition C11 (Production of information about the national electricity transmission system), and
- procedures established in pursuance of paragraph 6-6H.

Nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

3. The objectives of the STC referred to in sub-paragraph 1(b) are the:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
- (b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;
- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
- (d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees;
- (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC; and
- (f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system.

4. The STC shall provide for:

- (a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC; ~~and~~
- (b) a copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;
- (c) a panel body, as specified in the STC (the "panel") whose functions shall include the matters required by this condition and as set out in the STC;
- (d) arrangements for a secretarial or administrative person or body, as specified in the STC, to perform the role of code administrator (the "code administrator"). In addition to any powers, duties or functions set out in the STC, the code administrator shall:
 - (i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);
 - (ii) facilitate the procedures for making a modification to the STC; and

- (iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice:
5. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.
6. The STC shall include procedures for its own amendment modification (including procedures for the amendment modification of the amendment modification procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:
- (a) for proposals for amendment modification of the STC to be made by any of the STC parties or such other persons or bodies as the STC may provide;
- (b) where ~~such a~~ modification proposal is made:
- (i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;
- (ia) for the proper evaluation of the suitability of the self-governance route (in accordance with 6A) for a particular modification proposal;
- (ib) during a significant code review phase, for the proper evaluation of the relevance of the significant code review to a particular modification proposal;
- (ii) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;
- (iii) for the preparation by the ~~STC Committee panel~~ of an assessment of the likely impact of the proposal on each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning any STC party or STC party's transmission system, such assessment shall be made on the basis of the ~~STC Committee panel's~~ proper assessment (which ~~the that STC Committee panel~~ shall make available for these purposes) of the impact of the proposal on each STC party's transmission system;
- (iv) for properly evaluating whether the proposed amendment modification would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the ~~STC Committee panel~~ requires information which is not generally available concerning ~~another~~ any STC party or STC party's transmission system or the national electricity transmission system, such evaluation shall be made on the basis of the ~~STC Committee panel's~~ proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed amendment modification on the matters referred to in paragraph 3;
- (v) for development of any alternative amendment modification which may, as compared with the proposed amendment modification, better facilitate achieving the applicable STC objectives;
- (vA) for the evaluation required under paragraph 6(b)(iv) (and, if applicable, paragraph 6(b)(v)) in respect of the applicable STC objective(s) to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;
- (vi) except for modifications made pursuant to 6D, for the preparation of a report on behalf of the STC panel parties which includes the following:

- the proposed amendment modification and any alternative;
 - an evaluation of the proposed amendment modification and any alternative;
 - an assessment of the extent to which the proposed amendment modification or any alternative would better facilitate achieving the applicable STC objectives and a detailed explanation of the reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of greenhouse gas emissions in accordance with paragraph 6(b)(vA));
 - to the extent practicable, an assessment of the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed amendment modification;
 - an assessment of the impact of the amendment modification on the core industry documents and the changes expected to be required to such documents as a consequence of the amendment modification;
 - a recommendation by the panel (or in the case of a proposal falling within the scope of paragraph 6A, a determination), by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification or any alternative should be made;
 - to the extent practicable, the inclusion in the report of ~~a recommendation or recommendations being~~ the combined views of the STC parties concerning the amendment modification and any alternative and, where a combined view is not practicable, setting out the views of each STC party;
 - a timetable for implementation of the amendment modification and any alternative, including the date with effect from which such amendment modification (if made) is to take effect; and
- (vii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the amendment modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);
- (c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any amendment modification to be such as will enable the amendment modification to take effect as soon as practicable after the Authority has directed such amendment modification to be made (or after a determination by the panel in accordance with paragraph 6A), account being taken of the complexity, importance and urgency of the amendment modification, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted; ~~and~~
- (d) for separate processes for the amendment modification of STC ~~p~~Procedures and the schedule listing the STC ~~p~~Procedures in force from time to time, and which otherwise forms a part of the STC, to those for the amendment modification of other parts of the STC set out in sub-paragraphs (a) to (c) above and paragraphs 6A-7; and
- (e) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraphs 6(b)(vi) and 6(b)(vii) upon, and in accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal.

6A. The procedures for the modification of the STC shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 6A where:

(a)

(i) in the view of the panel, the modification proposal meets, all of the self-governance criteria, and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or

(ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and

(b) unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 6A(d); and

(c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 6A(d); and

(d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 6A(b), determined that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the STC and any other modifications proposed in accordance with paragraph 6(b)(v), better facilitate the achievement of the applicable STC objective(s); and

(e)

(i) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 6A(d) in respect of such modification proposal and any alternative; or

(ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 6B and the Authority has not quashed the panel's determination referred to at paragraph 6A(d) (and either remitted the relevant modification proposal and any alternative back to the panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal).

6B. The procedures for the modification of the STC shall provide that those persons set out at paragraph 6(a) may appeal to the Authority the approval or rejection by the panel of a modification proposal and any alternative falling under the self-governance route (in accordance with paragraph 6A), provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the STC and, in the opinion of the Authority:

(a)

(i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or

(ii) the appeal is on the grounds that:

(1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the applicable STC objectives; or

(2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the applicable STC objectives; and

(b) the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

6C. The procedures for the modification of the STC shall provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 6B that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal; and
- (b) if the Authority quashes the panel's determination referred to at paragraph 6A(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 6A(d), the panel's determination of that modification shall be treated as a recommendation under sub-paragraph 6(b)(vi).

6D. The procedures for the modification of the STC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 6D where:

- (a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;
- (b) the panel unanimously determines that the modification should be made;
- (c) STC parties and the Authority have been notified of the proposed modification;
- (d) none of the persons named in sub-paragraph (c) have objected to the modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
- (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date

6E. The procedures for the modification of the STC shall provide that proposals for the modification of the STC falling within the scope of a significant code review may not be made during the significant code review phase, except:

- (i) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
- (ii) at the direction of the Authority.

6F. The procedures for the modification of the STC shall provide that where a modification proposal is made during a significant code review phase the panel shall:

- (a) unless exempted by the Authority, notify the Authority as soon as practicable of:
 - i. any representations received in relation to the relevance of the significant code review; and
 - ii. the panel's assessment of, whether the proposal falls within the scope of the significant code review and its reasons for that assessment; and

- (b) if the Authority so directs, not proceed with the modification proposal until the significant code review phase has ended.

6G. The procedures for the modification of the STC shall provide that if within twenty-eight (28) days after the Authority has published its significant code review conclusions, the Authority issues to the licensee:

- (a) directions, the licensee shall comply with those directions;
- (b) a statement that no directions under sub-paragraph (a) will be issued in relation to the STC, the licensee shall treat the significant code review phase as ended;
- (c) neither directions under sub-paragraph (a), nor a statement under sub-paragraph (b), the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6(vi).

6H. The procedures for the modification of the STC shall be consistent with the principles set out in the Code of Practice, to the extent that they are relevant.

7.

- (a) If a report has been submitted to the Authority pursuant to paragraph 6(b)(vii), and the Authority is of the opinion that an ~~amendment~~ modification set out in such report would, as compared with the then existing provisions of the STC and any alternative ~~amendment~~ modification set out in such report, better facilitate achieving the applicable STC objectives, the Authority may direct the system operator to make that ~~amendment~~ modification on behalf of the STC parties and the system operator shall provide a copy of the direction to all other STC parties.
- (b) The system operator, on behalf of the STC parties, shall only ~~amend~~ modify the STC:
 - (i) in order to comply with any direction of the Authority pursuant to sub-paragraph (a); or
 - (ii) in order to comply with any direction from the Secretary of State to do so, so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period; or
 - (iii) with the consent of the Authority; or
 - (iv) in accordance with paragraph 6A (the 'self-governance route'); or
 - (v) in accordance with paragraph 6D (the 'fast track self-governance route');

and it shall not have the power to ~~amend~~ modify the STC in any other circumstance; and the system operator shall furnish the Authority with a copy of any ~~amendment~~ modification made.

- (c) Only the system operator shall have the power to ~~amend~~ modify the STC.
- (d) The system operator shall ensure that a copy of any direction of the Authority pursuant to sub-paragraph (a) is made available to each STC party, including by way of publication.
- (e) The system operator shall ensure that the other STC parties are furnished with a copy of any ~~amendment~~ modification so made.

8. The system operator shall prepare and publish a summary of the STC as ~~amended~~ modified or changed from time to time in such form and manner as the Authority may from time to time direct.
 9. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.
 10. The STC Framework Agreement shall contain provisions:
 - (a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and
 - (b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.
 11. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of ~~amendment~~ modification), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any ~~amendment~~ modification which has been made to the STC.
 12. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for ~~amendment~~ modification set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).
 13. For the avoidance of doubt, paragraphs 11 and 12 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.
- 13A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition including, but not limited to, modifying the STC where necessary no later than 31 December 2013.
14. The licensee shall comply with any direction to the licensee made pursuant to this condition.
 15. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the national electricity transmission system or to such extent as may be specified in the direction.

16. In this condition:

"applicable STC objectives"

means:

- (a) in relation to a proposed ~~amendment~~ modification of the ~~amendment~~ modification procedures, the requirements of paragraph 6 (to the extent that they do not conflict with the objectives set out in paragraph 3); and
- (b) in relation to any other proposed ~~amendment~~

modification, the objectives set out in paragraph 3.

"party entry processes"

means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.

~~"STC Committee"~~

~~means the committee established by STC parties in accordance with the provisions of the STC.~~

"STC procedures"

means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.

"transition amendment provisions"

means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances.

"fast track self-governance criteria"

means a proposal that, if implemented,

(a) would meet the self-governance criteria; and

(b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:

(i) updating names or addresses listed in the STC;

(ii) correcting minor typographical errors;

(iii) correcting formatting and consistency errors, such as paragraph numbering; or

(iv) updating out of date references to other documents or paragraphs.

"Code of Practice"

means the Code Administration Code of Practice approved by the Authority and:

(a) developed and maintained by the code administrators in existence from time to time; and

(b) amended subject to the Authority's approval from time to time; and

(c) re-published from time to time.

"directions"

means, in the context of paragraph 6G(a), direction(s) issued following publication of significant code review conclusions will shall contain:

- (a) instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal;
- (b) the timetable for the licensee to comply with the Authority's direction(s); and
- (c) the Authority's reasons for its direction(s).

"self-governance criteria"

means, a proposal that, if implemented:

- (a) is unlikely to have a material effect on:
 - (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the STC's governance procedures or modification procedures, and
- (b) is unlikely to discriminate between different classes of STC parties.

"self-governance statement"

means a statement made by the panel and submitted to the Authority in accordance with paragraph 6A(a)(i)

- (a) confirming that, in its opinion, the self-governance criteria are met and the modification is suitable for the self-governance route; and
- (b) the panel's reasons for that opinion.

"significant code review"

means a review of one or more matters which the Authority considers likely to:

- (a) relate to the STC (either on its own or in conjunction with any other industry code(s)); and
- (b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act), statutory functions and/or relevant obligations arising under EU law; and

(c) concerning which the Authority has issued a notice to the STC parties (among others, as appropriate) stating:

(i) that the review will constitute a significant code review;

(ii) the start date of the significant code review; and

(iii) the matters that will fall within the scope of the review.

“significant code review phase” means the period commencing on the start date of a significant code review as stated by the Authority, and ending either:

(a) on the date on which the Authority issues a statement that no directions will be issued in relation to the STC; or

(b) if no statement is made, on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority; or

(c) immediately, if neither a statement nor directions are issued by the Authority within (and including) twenty-eight (28) days from the Authority's publication of its significant code review conclusions.

Condition C3: Balancing and Settlement Code (BSC)

[Insert or amend the following text as indicated:]

1.

(c) including the modification procedures required by paragraphs 4, 4A to 4C~~±~~ **and** 13A and 13D;

4.

(af) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 13E (the "fast track self-governance route").

...

(b)(v) except in the case of a modification falling within the scope of paragraph 13D, for the preparation of a panel report:

...

13D. The procedures for the modification of the BSC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 13D where:

- (a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;
- (b) the panel unanimously determines that the modification should be made;
- (c) BSC parties and the Authority have been notified of the proposed modification;
- (d) none of the persons named in sub-paragraph (c) have objected to the modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and
- (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

~~13D.~~ 13E. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are

in place that facilitate its compliance with the requirements of this condition and create or modify industry documents including but not limited to the BSC, core industry documents and industry codes where necessary no later than 31 December 2013.

14. *[Insert the following after "directions":]*

"fast track self-governance criteria"

means a proposal that, if implemented,

- (a) would meet the self-governance criteria; and
- (b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:
 - (i) updating names or addresses listed in the BSC;
 - (ii) correcting minor typographical errors;
 - (iii) correcting formatting and consistency errors, such as paragraph numbering; or
 - (iv) updating out of date references to other documents or paragraphs.

Condition C10: Connection and Use of System Code (CUSC)

[Insert or amend the following text as indicated:]

2.

(b) the procedures established in pursuance of paragraphs 6, 6A~~7~~ to 6C~~8~~ ~~and~~ 13A and 13D; and

6.

(ac)(iv) accessing information relating to modification proposals and/or modifications; ~~and~~

...

(ag) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 13D (the "fast track self-governance route"):

...

(b)(v) except in the case of a modification falling within the scope of paragraph 13D, for the preparation of a panel report:

7.

(d)

(iii) in accordance with paragraphs 6 (ab) and 13A; or

(iv) in accordance with paragraphs 6 (ag) and 13D

13D. The procedures for the modification of the CUSC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 13D where:

(a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;

(b) the panel unanimously determines that the modification should be made;

(c) CUSC parties and the Authority have been notified of the proposed modification;

(d) none of the persons named in sub-paragraph (c) have objected to the modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and

- (e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

14A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and shall create or modify industry documents including, but not limited to, the CUSC, core industry documents and industry codes where necessary no later than 31 December 2013.

15. *[Insert the following after "directions":]*

- "fast track self-governance criteria" means a proposal that, if implemented,
- (a) would meet the self-governance criteria; and
 - (b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:
 - (i) updating names or addresses listed in the CUSC;
 - (ii) correcting minor typographical errors;
 - (iii) correcting formatting and consistency errors, such as paragraph numbering;
or
 - (iv) updating out of date references to other documents or paragraphs.

Condition C14: Grid Code

1. The licensee shall in consultation with authorised electricity operators liable to be materially affected thereby prepare and at all times have in force and shall implement and comply (subject to paragraph 4412) with the Grid Code:
 - (a) covering all material technical aspects relating to connections to and the operation and use of the national electricity transmission system or (in so far as relevant to the operation and use of the national electricity transmission system) the operation of electric lines and electrical plant connected to the national electricity transmission system or any distribution system of any authorised distributor and (without prejudice to the foregoing) making express provision as to the matters referred to in paragraph 5 below; and
 - (b) which is designed so as:
 - (i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity;
 - (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity) ;
 - (iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole; and
 - (iv) to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency.

1A. The Grid Code shall provide for:

- (a) a panel body, as specified in the Grid Code (the "panel") whose functions shall include the matters required by this condition and as set out in the Grid Code and any ancillary documents; and,
- (b) arrangements for a secretarial or administrative person or body, as specified in the Grid Code, to perform the role of code administrator (the "code administrator"). In addition to any powers, duties or functions set out in the Grid Code and any ancillary documents, the code administrator shall:
 - (i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);
 - (ii) facilitate the procedures for making a modification to the Grid Code;
 - (iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice; and
 - (iv) provide assistance, insofar as is reasonably practicable and on reasonable request, to Authorised Electricity Operators (including, in particular, small participants) and, to the extent relevant, consumer representatives that request the code administrator's assistance in relation to the Grid Code including, but not limited to, assistance with:

- proposing a modification;
 - understanding the operation of the Grid Code;
 - their involvement in, and representation during, the modification procedure processes (including but not limited to panel and/or workgroup meetings);
 - accessing information relating to modification proposals and/or modifications.
2. The Grid Code shall be the code which existed and which the licensee maintained pursuant to its licence immediately prior to the start of the transition period, modified from time to time in accordance with the transition modification provisions and the provisions of this condition.
- 2A. The licensee shall (in consultation with authorised electricity operators liable to be materially affected thereby) periodically review (including upon the request of the Authority) the Grid Code and its implementation.
- 2B. The review undertaken under paragraph 2A shall
- (a) where the Authority reasonably considers it necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency, proceed in accordance with any timetable(s) directed by the Authority under this paragraph in relation to the progress of the review and/or implementation of any ~~revisions~~ modifications to the Grid Code; and
 - (b) involve an evaluation of whether any ~~revisions~~ modification or ~~revisions~~ modifications to the Grid Code would better facilitate the achievement of the Grid Code objectives and, where the impact is likely to be material, this shall include an assessment of the quantifiable impact of any such ~~revision~~ modification on greenhouse gas emissions, to be conducted in accordance with any guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time.
- 2C. Following any such review, the licensee shall send to the Authority:
- (a) a report on the outcome of such review conducted in accordance with paragraphs 2A and 2B;
 - (b) any proposed ~~revision~~ modification to the Grid Code from time to time as the licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the Grid Code objectives referred to in paragraph (b) of paragraph 4 and a detailed explanation of the reasons for this assessment; and
 - (c) any written representations or objections from authorised electricity operators liable to be materially affected thereby (including any proposals by such operators for ~~revisions~~ modifications to the Grid Code not accepted by the licensee in the course of the review) arising during the consultation process and subsequently maintained.
3. ~~Revisions~~ Modifications to the Grid Code proposed by the licensee and sent to the Authority pursuant to paragraph 2 shall require to be approved by the Authority.
4. Having regard to any written representations or objections referred to in sub-paragraph (c) of paragraph 2C, and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the licensee to ~~revise~~ modify the Grid Code in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.

4A. The procedures for modifying the Grid Code shall provide:

- (a) for the revision and resubmission of the report provided for under paragraph 2C(a) upon, and in accordance with, a direction issued to the licensee by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph 4;
- (b) that proposals for the modification of the Grid Code falling within the scope of a significant code review may not be made during the significant code review phase, except:
 - (i) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
 - (ii) at the direction of the Authority;
- (c) where a modification proposal is made during a significant code review phase the licensee shall:
 - (i) unless exempted by the Authority, notify the Authority as soon as practicable of:
 - 1. any representations received in relation to the relevance of the significant code review; and
 - 2. the licensee's assessment of, whether the proposal falls within the scope of the significant code review and its reasons for that assessment; and
 - (ii) if the Authority so directs, not proceed with the modification proposal until the significant code review phase has ended.

4B. If within twenty eight (28) days after the Authority has published its significant code review conclusions, the Authority issues to the licensee:

- (a) directions, the licensee shall comply with those directions;
- (b) a statement that no directions under sub-paragraph (a) will be issued in relation to the Grid Code, the licensee shall treat the significant code review phase as ended;
- (c) neither directions under sub-paragraph (a) nor a statement under sub-paragraph (b) the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the panel or the procedures informing the report described at sub-paragraph 2C(a) of this condition.

5. The Grid Code shall include codes relating to the technical operation of the national electricity transmission system, including:

- (a) connection conditions specifying the technical, design and operational criteria to be complied with by the licensee and by any person connected or seeking connection with the national electricity transmission system or by any person authorised to generate who is connected with or seeks connection with the national electricity transmission system or any distribution system of any third party which is located in the national electricity transmission system operator area;
- (b) an operating code specifying the conditions under which the licensee shall operate the national electricity transmission system and under which persons shall operate their plant and/or distribution systems in relation to the national electricity transmission system, in so far as necessary to protect the security and quality of supply and safe operation of the national electricity transmission system under both normal and abnormal operating conditions;

- (c) a planning code specifying the technical and design criteria and procedures to be applied in the planning and development of the national electricity transmission system and to be taken into account by persons connected or seeking connection with the national electricity transmission system in the planning and development of their own plant and systems; and
 - (d) procedures relating to the outage of generation sets and a balancing code specifying, among other matters, information to be submitted by authorised electricity operators to the licensee for the purposes of, and the making of offers and bids in, the balancing mechanism, and the issuing by the licensee of instructions by reference to such offers and bids.
6. The licensee shall, upon receipt of a direction from the Secretary of State to do so, ~~revise~~ modify the Grid Code so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period.
 7. [Not used].
 8. The licensee shall give or send a copy of the Grid Code (as from time to time ~~revised~~ modified) to the Authority.
 9. The licensee shall (subject to paragraph ~~9~~10) give or send a copy of the Grid Code (as from time to time ~~revised~~ modified) to any person requesting the same.
 10. The licensee may make a charge for any copy of the Grid Code (as from time to time ~~revised~~ modified) given or sent pursuant to paragraph ~~8~~9 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in directions issued by the Authority.
 11. In preparing, implementing and complying with the Grid Code (including in respect of the scheduling of maintenance of the national electricity transmission system), the licensee shall not unduly discriminate ~~against or unduly prefer any person or class or classes of person in favour of or as against any person or class or classes of persons in favour of or against, or unduly prefer, any person or class (or classes) of person.~~
 12. The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the Grid Code in respect of such parts of the national electricity transmission system and/or to such extent as may be specified in the directions.
 - 12A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition including, but not limited to, modifying the Grid Code and any ancillary documents where necessary no later than 31 December 2013.
 13. In this condition, authorised electricity operator includes any person transferring electricity to or from the national electricity transmission system operator area across an interconnector; and

"Grid Code objectives"	means the objectives referred to in paragraph 1(b) of this condition; and
"transition modification provisions"	means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to revise <u>modify</u> the Grid Code in certain circumstances.
<u>"Code of Practice"</u>	<p><u>means the Code Administration Code of Practice approved by the Authority and:</u></p> <p>(a) <u>developed and maintained by the code administrators in existence from time to time; and</u></p> <p>(b) <u>amended subject to the Authority's approval from time to time; and</u></p> <p>(c) <u>re-published from time to time.</u></p>
<u>"directions"</u>	<p><u>means, in the context paragraph 4B(a), direction(s) issued following publication of significant code review conclusions which will contain:</u></p> <p>(a) <u>instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal;</u></p> <p>(b) <u>the timetable for the licensee to comply with the Authority's direction(s); and</u></p> <p>(c) <u>the Authority's reasons for its direction(s).</u></p>
<u>"significant code review"</u>	<p><u>means a review of one or more matters which the Authority considers likely to:</u></p> <p>(a) <u>relate to the Grid Code (either on its own or in conjunction with any other industry code(s)); and</u></p> <p>(b) <u>be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act), statutory functions and/or relevant obligations arising under EU law; and</u></p> <p>(c) <u>concerning which the Authority has issued a notice to the licensee (among others, as appropriate) stating:</u></p> <p style="padding-left: 20px;">(i) <u>that the review will constitute a significant code review;</u></p> <p style="padding-left: 20px;">(ii) <u>the start date of the significant code review;</u></p> <p><u>and</u></p>

(iii) the matters that will fall within the scope of the review.

“significant code review phase” means the period commencing on the start date of a significant code review as stated by the Authority, and ending either:

(a) on the date on which the Authority issues a statement that no directions will be issued in relation to the Grid Code; or

(b) if no statement is made, on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority; or

(c) immediately, if neither a statement nor directions are issued by the Authority within (and including) twenty-eight (28) days from the Authority’s publication of its significant code review conclusions.

“small participant” means

(a) a generator, supplier, distributor, or new entrant to the electricity market in Great Britain that can demonstrate to the code administrator that it is resource-constrained and, therefore, in particular need of assistance;

(b) any other participant or class of participant that the code administrator considers to be in particular need of assistance; and

(c) a participant or class of participant that the Authority has notified the code administrator as being in particular need of assistance.

Schedule 2 – Reasons and effect of proposed modifications to the standard conditions of the electricity transmission licence

Standard Condition	Reasons for proposed modification	Effect of proposed modification
Section B		
B12: System Operator – Transmission Owner Code	<p>To implement the Code Governance Review phase 2, Final Proposals:</p> <ul style="list-style-type: none"> • Introduce Significant Code Review process; introduce the Code Administration Code of Practice (CACoP)/Code Administrator 'critical friend'. • To enable "send-back" powers and require reporting of assessment against relevant objectives. 	<ul style="list-style-type: none"> • Provides a more efficient process for modifications by enabling changes to the STC, that meet the self-governance criteria, to be made without requiring Authority approval. • Defines a role for Ofgem to lead complex changes to the industry codes with the introduction of the Significant Code Review process - to ensure that significant code changes can be facilitated more effectively. • Improves accessibility to the code modification process for all market participants and encourages greater participation in the code process by all parties. • Ensures robust reporting on code modifications and allows the Authority to "send back" final modification reports, where a deficiency/ flaw in the report is identified.
Section C		
C3: Balancing and Settlement Code (BSC)	<p>To implement the Code Governance Review phase 2, Final Proposals:</p> <ul style="list-style-type: none"> • To enable a 'fast track' self-governance process. 	<ul style="list-style-type: none"> • Extends the scope of existing self-governance provisions to enable a more efficient process for 'housekeeping' modifications.
C10: Connection and Use of System Code (CUSC)	<p>To implement the Code Governance Review phase 2, Final Proposals:</p> <ul style="list-style-type: none"> • To enable a 'fast track' self-governance process. 	<ul style="list-style-type: none"> • Extends the scope of existing self-governance provisions to enable a more efficient process for 'housekeeping' modifications.
Condition C14: Grid Code	<p>To implement the Code Governance Review phase 2, Final Proposals:</p> <ul style="list-style-type: none"> • To introduce the Significant 	<ul style="list-style-type: none"> • Defines a role for Ofgem to lead complex changes to the industry codes with the introduction of the Significant Code Review process - to

	<p>Code Review process; introduce the Code Administration Code of Practice (CACoP)/Code Administrator 'critical friend'.</p> <ul style="list-style-type: none"> • To enable "send-back" powers and require reporting of assessment against relevant objectives. 	<p>ensure that significant code changes can be facilitated more effectively.</p> <ul style="list-style-type: none"> • Improves accessibility to the code modification process for all market participants and encourages greater participation in the code process by all parties. • Ensures robust reporting on code modifications and allows the Authority to "send back" final modification reports, where a deficiency/ flaw in the report is identified.
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