

Modification proposal:	System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CA046: Inclusion of generator led build options within the STC		
Decision:	The Authority ¹ directs that this Modification be made ²		
Target audience:	National Grid Electricity Transmission PLC, Parties to the STC, bidders and prospective bidders to the offshore tender process and other interested parties		
Date of publication:	11 March 2013	Implementation Date:	10 business days after Authority decision

Background to the Modification proposal

On 15 December 2010, the Secretary of State made changes to the Grid Code and the Connection and Use of System Code (CUSC). The effect of the changes was to place obligations on offshore generators wishing to undertake activities otherwise undertaken by an Offshore Transmission Owner (OFTO) (known as generator build). This was to ensure that offshore transmission assets comply with the same standards whether they are constructed by generators or by OFTOs.

At that time, Ofgem identified consequential changes to the STC³. Due to constraints on the time available to implement the changes necessary for generator build, we considered that changes to the STC would be taken forward under normal STC governance arrangements.

The proposed Modification

National Grid Electricity Transmission (NGET) (the "Proposer"), raised CA046 (the "Modification") in November 2011.

The proposed Modification would amend the STC to implement the generator build model and to facilitate arrangements for the transfer of the generator built transmission assets to an OFTO. The proposed Modification will also clarify the documentation that the OFTO must have in place at asset transfer.

A Workgroup⁴ was established to assess the Modification. It submitted its report to the STC Modification Panel⁵ in July 2012. The Workgroup highlighted the potential changes to various STC sections including: Governance (Section B); Transmission Services and Operations (Section C); Planning Co-ordination (Section D); and various STC Schedules. The Workgroup also considered the potential impact on STC Procedures, and identified further issues associated with generator build that require consideration in the future. A

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 Government response to consultations on offshore electricity transmission – Annex 3 - published on 15 December 2010. Ref 157/10

⁴ Where the STC Modification Panel deems it appropriate, it may establish a Workgroup in accordance with section B7 of the STC.

⁵ The STC Modification Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.

summary of the Workgroup's discussions appears in the Final Modification Report (FMR)⁶ published on 6 February 2013.

In the Proposer's view, the Modification would better meet Applicable STC Objectives⁷ (a), (b), (c) and (f), while having a neutral effect on the remaining Applicable STC Objectives.

Responses to the STC Modification Panel consultation

The STC Modification Panel undertook an industry consultation on the proposed Modification between 30 November 2012 and 4 January 2013. Ofgem circulated the consultation to non-STC parties that were involved in the offshore transmission tender process at that time. There were no responses to the consultation from non-STC parties.

STC Parties' assessment

The STC parties' assessment of the proposed Modification was that there would be no impact on their systems and no material cost impact involved in implementing the Modification.

STC Modification Panel recommendation

The STC Modification Panel considered the draft FMR at its meeting on 30 January 2013. The STC Modification Panel recommended that the Authority should approve the implementation of the Modification, with an implementation date ten business days after the Authority's decision. The STC Modification Panel agreed with the Proposer that the Modification would better facilitate Applicable STC Objectives (a), (b) (c) and (f). The views of the STC Modification Panel are set out in the FMR.

The Authority's decision

The Authority has considered the FMR, including the proposed legal text, submitted on 6 February 2013. The Authority has considered and taken into account the responses which are included in the FMR.

The Authority has concluded that implementation of the Modification, as compared with the existing provisions of the STC, would better facilitate achieving the Applicable STC Objectives and is consistent with its wider statutory duties.

Reasons for the Authority's decision

Having considered the FMR in the context of the Applicable STC Objectives and its statutory duties, the Authority considers that the Modification would better facilitate the achievement of the Applicable STC Objectives set out below. For the other Applicable STC Objectives, there is no impact.

⁶ <http://www.nationalgrid.com/NR/rdonlyres/6537ADD9-FFD1-4A6C-B6EB-6BC1DB7F3393/59139/CA046ModificationReportv10.pdf>

⁷ The Applicable STC Objectives are set out in Standard Licence Condition B12 (3) (a) to (f) of the Transmission Licence:
<http://epr.ofgem.gov.uk/EPRFiles/Electricity%20transmission%20full%20set%20of%20consolidated%20standards%20licence%20conditions%20-%20Current%20Version.pdf>.

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

The Modification will clarify which obligations an OFTO must comply with where the generator has constructed the transmission assets. It will also reflect any obligations placed on the NGET as a result of changes to the CUSC and Grid Code to introduce the generator build option. We consider that providing this clarity will facilitate a more efficient discharge of those obligations. For this reason, we consider that the proposed Modification better facilitates achieving this objective.

Applicable STC Objective b (development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission)

The introduction of the generator build option provides generators with further flexibility to progress their projects and to develop parts of the transmission system. The proposed changes to the STC arrangements will provide a robust framework that can be applied consistently regardless of how design and construction responsibilities are allocated between generator and OFTO, thus reflecting generators needs and resulting in a more efficient and effective transmission network. We therefore consider that achieving this objective is better facilitated by the proposed Modification.

Applicable STC Objective 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)

The introduction of the generator build option into the STC arrangements will assist all transmission licensees in helping to facilitate choice in the delivery of transmission assets. This in turn provides offshore generators with flexibility as to the scope of activities they wish to undertake, thus enabling offshore generators to make informed commercial decisions about participation in the electricity market, thereby improving effective competition in the generation of electricity. We therefore consider that achieving this objective is better facilitated by the proposed Modification.

Applicable STC Objective f (facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system)

The introduction of the generator build option into the STC arrangements will assist all transmission licensees in helping to facilitate the choice provided to offshore generators through an additional means of access to the transmission system for their generation. We therefore consider that achieving this objective is better facilitated by the Modification proposal.

Legal text

On 15 December 2010, Ofgem set out its high level view⁸ of the scope of the changes to be made to the STC as a result of the changes to the Grid Code and CUSC to implement the generator build option. We have reviewed the proposed changes set out in the legal text provided and consider that the changes proposed are within the scope of Ofgem's 15 December 2010 publication.

⁸ Government response to consultations on offshore electricity transmission – Annex 3 - published on 15 December 2010. Ref 157/10

Under the OFTO build option, there is scope for the generator to decide which aspects of design, planning and consenting it wishes to undertake. We are concerned that the proposed definition of 'OFTO Build' may limit generator options in the activities it wishes to undertake. We do not consider that this concern is sufficient to prevent us from approving the proposed Modification but ask that NGET consider further amendment to clarify the OFTO build options.

We note that the numbering of new clauses 4.3A and 4.5A in Section D Part Two is not consistent with how numbering appears elsewhere in the STC. We do not regard this discrepancy as significant enough to prevent the approval of the Modification but would advise NGET to address this matter as soon as possible after implementation of the Modification.

Outstanding issues

The STC Modification Panel has outlined a number of outstanding issues in the FMR. The FMR notes that although generators can construct offshore transmission assets, it is prohibited for them to participate in transmission without a licence. As such, the Workgroup noted that offshore generator builders are unable to commission or test assets as energisation of those assets is required. We note that the Government's Energy Bill⁹ includes a clause to further support the timely, secure and cost-effective delivery of connections from offshore wind farms to the national electricity transmission system. The clause applies to generator-build projects. It provides an exception in certain circumstances to the prohibition on participating in the transmission of electricity without a licence during a "commissioning period". The clause will enable generators to continue to commission the transmission assets prior to their timely transfer to the appointed OFTO.

The FMR also notes that asset transfer (the date at which the transmission assets transfer from the offshore generator to the OFTO) cannot be identified in advance. As such, it is difficult to state specific submission dates in the STC. We note that the STC requires specific information to be available or exchanged by asset transfer. We consider that the parties engaged in the asset transfer process, ie the OFTO and the offshore generator, are best placed to ensure all information is submitted by the date of asset transfer as required under the STC.

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence, the Authority directs the system operator to make the proposed Modification STC CA046 "*Inclusion of generator led build options within the STC*" on behalf of the STC parties.

Min Zhu

Associate Director, Offshore Transmission

Signed on behalf of the Authority and authorised for that purpose

⁹ <https://www.gov.uk/electricity-network-delivery-and-access#offshore-electricity-networks-development>