

Modification proposal:	<b>Connection and Use of System Code (CUSC) CMP294: National Grid Legal Separation changes to CUSC sections, Exhibits &amp; Schedules (CMP294)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity Transmission PLC (NGET), Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	06 December 2018	Implementation date:	01 April 2019

## Background

A new Electricity System Operator (ESO) entity, National Grid Electricity System Operator (NGESO), is being established within the National Grid (NG) Group that is legally separate from the transmission owner, National Grid Electricity Transmission Limited (NGET). The separation will allow the new ESO to play a more proactive role in managing an increasingly flexible electricity system that can realise benefits for consumers. The formal separation of the system operator functions from NGET's licence will come into effect on 1 April 2019.

CMP294 seeks to modify the CUSC to reflect the creation of a new NGESO that is legally separated from NGET. CMP294 covers CUSC section 14 (charging section).

## The modification proposal

It is proposed to amend the CUSC definition of 'The Company' to reflect the new NGESO legal entity and create a new 'Onshore Transmission Licensee' definition which encompasses all onshore transmission owners including NGET. There are then additional consequential changes to reflect the separate System Operator role and the onshore Transmission Owner roles.

CMP294 was proposed by NGET and was submitted to the CUSC Panel for consideration on 27 April 2018. The Panel agreed to the Proposer's recommendation to hold an industry webinar to seek feedback on the legal text. The Panel requested that the modifications return to Panel for agreement to any changes, prior to the modifications being issued out for Code Administrator consultation.

## CUSC Panel<sup>3</sup> recommendation

At the CUSC Panel meeting on 31 August 2018, the Panel voted that CMP294 would better facilitate the CUSC Objectives and the Panel therefore recommended its approval. The Panel members unanimously agreed that the original proposal was better than the baseline and recommended that the modification be implemented.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

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

<sup>3</sup> The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

## Our decision

We have considered the issues raised by the modification proposal and the final Modification Report (FMR) dated 01 November 2018. We have considered and taken into account the responses to the industry consultation on the modification proposals which are attached to the FMR<sup>4</sup>. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the CUSC;<sup>5</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>6</sup>

## Reasons for our decision

We consider this modification proposal will better facilitate CUSC objectives (c) and has a neutral impact on the other applicable objectives.

***(c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;***

We agree with the Proposer and the Panel that this change will better facilitate the relevant objective (c) by attributing the appropriate obligations to NGESO as System Operator and the Transmission owners in accordance with the new NGESO Transmission Licence and modified NGET Transmission Licence obligations.

## Decision notice

In accordance with Standard Condition C10 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal CMP294: National Grid Legal Separation changes to CUSC sections, Exhibits & Schedules be made.

## Grendon Thompson

### Head of System Operator Regulation – Systems & Networks

Signed on behalf of the Authority and authorised for that purpose

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<sup>4</sup> CUSC modification proposals, modification reports and representations can be viewed on NGET's website at: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/>

<sup>5</sup> As set out in Standard Condition C10(1) of the electricity Transmission Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

<sup>6</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.