

Modification proposal:	<b>Distribution Code:</b> DCRP/18/10: National Grid Legal Separation changes to the Distribution Code.		
Decision:	The Authority <sup>1</sup> has decided to approve <sup>2</sup> this modification		
Target audience:	Distribution licensees, Distribution Code Review Panel, distribution network users and other interested parties		
Date of publication:	22 February 2019	Implementation date:	01 April 2019

## Background

A new Electricity System Operator (ESO) entity (NGESO) is being established within the National Grid (NG) Group, that is legally separate from the transmission owner, NG Electricity Transmission (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.

This modification proposal seeks to amend the text within the Distribution Code<sup>3</sup> to reflect the identity of the new system operator, NGESO, which has distinct functions from NGET.

## The modification proposal

DCRP/18/10 proposes to amend 'NGC' to 'NGET' and this will be the NGET transmission owner role post legal separation. A new defined role will be created for 'NGESO' for the system operator business. The Distribution Code references to 'NGC' will be changed to either 'NGET' or 'NGESO' as applicable.

The modification also proposes to amend the defined terms for the 'Offshore Transmission System Operator', 'Offshore Transmission Licensee' and the 'Onshore Transmission Licensee' which were highlighted as part of the consultation. Changes are also proposed to the Distribution Code Constitution and Rules<sup>4</sup> to replace 'NETSO' with 'NGESO' and to amend the definition accordingly.

## Distribution Code Review Panel (DCRP)<sup>5</sup> comments and licensee recommendation

At the DCRP meeting on 7 February 2019, the DCRP considered that the modification proposal would have a neutral impact on the Distribution Code objectives; however, it would provide the necessary clarity for relevant stakeholders and therefore recommended its approval.

This modification was also recommended for approval by the Distribution network licensees.

<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> Distribution Code: [http://www.dcode.org.uk/assets/uploads/DCode\\_v33\\_230718\\_1.pdf](http://www.dcode.org.uk/assets/uploads/DCode_v33_230718_1.pdf)

<sup>4</sup> The constitution and Rules can be viewed at:

[http://www.dcode.org.uk/assets/uploads/GBDCRP\\_Constitution\\_and\\_Standard\\_Procedures\\_May\\_2017\\_v5\\_020517\\_final.pdf](http://www.dcode.org.uk/assets/uploads/GBDCRP_Constitution_and_Standard_Procedures_May_2017_v5_020517_final.pdf)

<sup>5</sup> The DCRP is established in accordance with SLC 21 of the Electricity Distribution Licence.

## **Our decision**

We have considered the issues raised by the modification proposal and in the Final Report dated 8 February 2019. We have considered and taken into account the responses to the consultation on the modification proposal which are included in the Final Report.<sup>6</sup>

We have concluded that:

- implementation of the modification proposal will provide greater clarity for all relevant stakeholders and will have a positive impact on objective (d) of the Distribution Code;<sup>7</sup> and
- approving the modification is consistent with our principal objective and statutory duties.<sup>8</sup>

## **Reasons for our decision**

We consider this modification proposal will have a positive impact on objective (d) and will have a neutral impact on the other Distribution Code objectives. We agree with the Proposer and the DCRP that this Modification will provide greater clarity for all relevant stakeholders.

### ***(d) Promote efficiency in the implementation and administration of the Distribution Code.***

We believe that the proposed modification represents an efficient implementation of the Distribution Code in response to the changes required as a result of the legal separation of the ESO. The removal of any reference to 'NGC' and reassigning it to either 'NGET' or 'NGESO' should provide transparency and clarity to parties as to the two separate roles and responsibilities of NGESO and NGET. We therefore agree that this modification should be made.

## **Decision notice**

In accordance with SLC 21.11 of the Electricity Distribution Licence, the Authority hereby directs that the modification to the Distribution Code set out in the Final Report to the Authority be made.

## **Grendon Thompson**

### **Head of Electricity System Operation Regulation**

Signed on behalf of the Authority and authorised for that purpose

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<sup>6</sup> Distribution Code proposals, final reports and representations can be viewed at:

<http://www.dcode.org.uk/areas-of-work/> and <http://www.dcode.org.uk/consultations/>

<sup>7</sup> As set out in Standard Condition SLC 21.4 of the Electricity Distribution Licence available at:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

<sup>8</sup> The Authority's statutory duties are wider than matters which the Panel and licensees must take into consideration and are largely provided for in statute, principally in this case the Electricity Act 1989.