

Modification proposal:	<b>Grid Code [GC0112]: National Grid Legal Separation Grid Code changes to incorporate NGESO</b>		
Decision:	The Authority <sup>1</sup> directs <sup>2</sup> that the proposed modification to the Grid Code be made		
Target audience:	National Grid Electricity Transmission PLC (NGET), the Grid Code Review Panel, Grid Code users and other interested parties		
Date of publication:	03 December 2018	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 proposal seeks to modify the Grid Code to reflect the creation of a new National Grid Electricity System Operator (NGESO) to be called the 'The Company' that is legally separated from National Grid Electricity Transmission Limited (NGET) throughout the Grid Code in order to ensure the System Operator and Transmission Owner obligations are clear.

## The modification proposal

GC0112 was proposed by NGET and was originally submitted to the Grid Code Review Panel for its consideration on 26 April 2018. The Panel decided to send the Proposal to a Workgroup to review the proposed draft legal text presented by the Proposer.

It is proposed that the definition of 'The Company' (introduced through GC0115) will be utilised by the NGESO legal entity and associated legal text updates required for the correct obligations to be on both NGESO and NGET.

A new definition of NGET will be created for the National Grid Transmission Owner business. NGET will be included within the definitions of "Onshore Transmission Licensee", "Relevant Transmission Licensee" and "Relevant E&W Transmission Licensee".

The "implementation/transitional" provisions in the Appendix to the General Conditions in the Grid Code, will come into effect prior to the transfer of the system operator licence conditions within the NGET transmission licence to NGESO.

## Grid Code Review Panel recommendation

At the Grid Code Review Panel meeting on 27 September 2018, the Panel voted on whether GC0112 better facilitated the applicable Grid Code objectives. The Panel members unanimously agreed that GC0112 better facilitates objective (iv) and recommended that it 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.

## Our decision

We have considered the issues raised by the modification proposal and in the Final Modification Report dated 03 October 2018. We have considered and taken into account the responses to the industry consultation on the modification proposal which are included in the Final Report<sup>3</sup>. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the objectives of the Grid Code;<sup>4</sup> and
- approving the modification is consistent with our principal objective and statutory duties.<sup>5</sup>

We do note however that there is currently an error within the legal text associated with this modification. The error is not a material inaccuracy and we understand is an oversight, and therefore does not affect our approval of this modification. We do however expect this error to be corrected via FTSG modification as soon as is reasonably possible. The error and required correction is outlined below:

Grid Code - The Company - National Grid Electricity **System Operator Limited (No: 11014226)** ~~Transmission plc (NO: 2366977)~~ whose registered office is at 1-3 Strand, London, WC2N 5EH.

## Reasons for our decision

We consider this modification proposal will better facilitate Grid Code objective (iv) and has a neutral impact on the other objectives.

***(iv) to efficiently discharge the obligations imposed upon the licensee by this license and to comply with the Electricity Regulation and any relevant legally binding decisions of the European Commission and/or the Agency.***

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

## Decision notice

In accordance with Standard Condition C14 of NGET's Transmission Licence, the Authority hereby directs that Grid Code modification proposal GC0112: *'National Grid Legal Separation Grid Code changes to incorporate NGESO'* be made.

**Grendon Thompson**  
**Head of System Operation Regulation – Systems & Networks**  
Signed on behalf of the Authority and authorised for that purpose

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<sup>3</sup> Grid Code proposals, final reports and representations can be viewed on NGET's website at: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Modifications/>

<sup>4</sup> As set out in Standard Condition C14(1)(b) of NGET's Transmission Licence, available at: <https://epr.ofgem.gov.uk/>

<sup>5</sup> The Authority's statutory duties are wider than matters which the Grid Code review Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.