

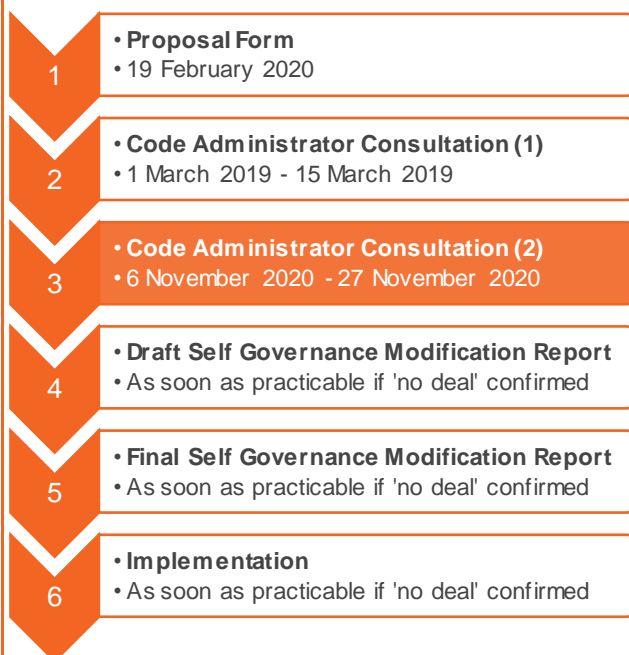
STC Modification Proposal Form

CM072

STC changes in the event the UK leaves the EU without an agreement

Overview: This proposal seeks to ensure that retained EU law will function effectively in the context of the STC. In the event the United Kingdom leaves the European Union without an agreement, it will ensure that the STC takes into account the provisions in the relevant Statutory Instruments that have been prepared under the European Union (Withdrawal) Act 2018 as well as relevant consequential licence modifications.

Modification process & timetable



Status summary: The Proposal was presented to Panel on 27 February 2019. The Code Administrator Consultation ran from 1 March 2019 to 15 March 2019, but as the Proposal has been updated to reflect current circumstances, a second consultation period will be undertaken.

This modification is expected to have a:

Low impact: Minimal impact on all STC parties

Proposer's recommendation of governance route

This modification will proceed straight to Code Administrator Consultation and the Panel will make the decision on whether it should be implemented.

Who can I talk to about the change?

Proposer: Matt Baller
Matt.baller@nationalgrideso.com
 Phone: 07866197575

Code Administrator Contact:
 Lurrentia Walker
Lurrentia.walker@nationalgrideso.com
 Phone: 07976940855

Contents

- What is the issue?
- What is the solution?
- What is the impact of this change?
- When will the change take place?
- Interactions
- Acronyms, key terms and reference material

What is the issue?

Why Change?

In the event the UK leaves the EU without an agreement, the STC needs to be amended to ensure the provisions in the relevant Statutory Instruments that have been prepared under the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as well as relevant consequential licence modifications will function effectively in the context of STC.

Detail

Following the outcome of a referendum on UK membership of the EU on 23 June 2016, the UK Government notified its intention to leave the EU in March 2017 (as permitted by Article 50 of the Treaty on European Union).

The UK's departure became effective on 31 January 2020, at which point the UK entered an 11 month transitional period which will end on IP completion day, which is currently expected to be 31 December 2020. During the transitional period the UK must comply with all EU rules and laws. In the absence of agreements concerning the UK's withdrawal from the EU and future trade and political relationship with the EU ('no deal'), from IP completion day EU regulations will no longer be directly applicable to the UK. In addition, EU entities will no longer have a part to play in the creation of UK policy and legislation.

The approach specified in the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) is to incorporate EU law into UK law (where possible). The UK Government has published statutory instruments with the aim of correcting and/or removing and/or amending applicable provisions of EU Regulations relevant to the electricity industry, such that they reflect the UK no longer being an EU Member State. The Authority is also proceeding with a statutory consultation on consequential licence modifications.

The STC contains a small number of references to EU Regulations and EU entities. These were introduced as a consequence of the integration of the UK into the EU Internal Energy Market ('IEM') and more specifically in order to comply with a number of EU Regulations, which were directly applicable in UK Law.

What is the proposer's solution?

As a consequence of a 'no deal' scenario should one occur, the STC needs to be changed so that the references appropriately reflect this change in approach. The proposed modifications will ensure that the STC is aligned with retained EU law and licence obligation in the event of 'no deal', applicable from IP completion day.

In section J (interpretation and definitions), it is proposed to update and add some definitions in relation to references to EU legislation or EU entities.

It is also proposed to add a definition on “Legally Binding Decisions of the European Commission and/or the Agency”, aligned with the modification proposed in the statutory consultation of the licence. In the event the UK leaves the EU without an agreement, future decisions of the Commission and the Agency will no longer have any legal effect in the UK. However, decisions made prior to IP completion day are to continue to have effect.

In section B (Governance), some reformatting is proposed to reflect the new definition.

In section C (Transmission Services and Operations), it is proposed to update the reference to EU legislation.

Draft legal text

Proposed amended legal text can be reviewed separately in Appendix A to this document.

What is the impact of this change?

| Proposer's Assessment against STC Objectives | |
|---|---|
| Relevant Objective | Identified impact |
| (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act | Positive: These changes will positively impact objective (a) as they will ensure references to EU regulations and EU entities are modified to reflect the changes as foreseen in the relevant Statutory Instruments that have been prepared under the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020). |
| (b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission | None |
| (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent | None |

| | |
|--|-------------|
| 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 | None |
| (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC. | None |
| (f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system; | None |
| (g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. | None |

| Impact of the modification on the stakeholder / consumer benefit categories | |
|---|-------------------|
| Proposer's assessment: | |
| Stakeholder / consumer benefit categories | Identified impact |
| Improved safety and reliability of the system | None |
| Lower bills than would otherwise be the case | None |
| Benefits for society as a whole | None |
| Reduced environmental damage | None |
| Improved quality of service | None |

When will this change take place?

Implementation date:

No implementation costs are associated with this modification.

In the event the UK leaves the EU without an agreement, implementation of this modification would be sought as soon as practicable following IP completion day. However, implementation is specifically dependent upon the implementation of the relevant Statutory Instruments that have been prepared under the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as well as relevant consequential licence modifications and so implementation of this proposal should align with the Statutory Instruments and licence modifications.

If the Self-Governance route is approved, then the Code Administrator proposes that the modification should be implemented one working day following the closure of the appeal window.

Should a Withdrawal Agreement between the UK and the EU be concluded and take effect from IP completion day, this modification will be withdrawn and a new modification will replace it.

Interactions

It is understood that other GB frameworks will require revision in the event the UK leaves the EU without an agreement. Modifications have been raised at the CUSC and Grid Code panels at the same time as this modification. However, this modification is not interactive with any proposal for changes to other GB frameworks.

Acronyms, key terms and reference material

| Acronym / key term | Meaning |
|--------------------|---|
| EU | European Union |
| GB | Great Britain |
| UK | United Kingdom |
| IP completion day | Implementation Period Completion Day, which is currently expected to be 31 December 2020. |
| IEM | Internal Energy Market |

Reference material:

1. [European Union \(Withdrawal\) Act 2018](#)
2. [European Union \(Withdrawal Agreement\) Act 2020](#)
3. [The Electricity and Gas etc. \(Amendment etc.\) \(EU Exit\) Regulations 2019](#)
4. [The Electricity Network Codes and Guidelines \(Markets and Trading\) \(Amendment\) \(EU \(EU Exit\) Regulations 2019](#)
5. [The Electricity Network Codes and Guidelines \(System Operation and Connection\) \(Amendment etc.\) \(EU Exit\) Regulations 2019](#)
6. [The Electricity and Gas \(Market Integrity and Transparency\) \(Amendment\) \(EU Exit\) Regulations 2019](#)
7. [Statutory Consultation on licence modification in the event the UK leaves the EU without a deal](#)
8. [The Electricity and Gas etc. \(Amendment\) \(EU Exit\) Regulations 2020](#)