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| Workgroup Consultation | | | |
| **GSR031:**  **Introducing**  **Competitively**  **Appointed**  **Transmission**  **Owners**  **Overview:** This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the SQSS to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets. | | **Modification process & timetable**    **Proposal Form**  25 October 2022  **Workgroup Consultation**  20 February 2023 - 10 March 2023  **Workgroup Report**  02 May 2023  **Code Administrator Consultation**  15 May 2023 - 13 June 2023  **Draft Final Modification Report**  04 July 2023  **Final Modification Report**  24 July 2023  **Implementation**  TBC  **1**  **2**  **3**  **4**  **5**  **6**  **7** | |
| **Have 5 minutes?** Read our [Executive summary](#_Executive_summary_1)  **Have 20 minutes?** Read the full [Workgroup Consultation](#_Why_change?)  **Have 30 minutes?** Read the full Workgroup Consultation and Annexes. | | | |
| **Status summary:** The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised. | | | |
| **This modification is expected to have a: Medium impact** | | | |
| **Governance route** | Standard Governance modification with assessment by a Workgroup. We suggest this route because we would like the workgroup to check our rationale for the modification to the definition of Transmission System | | |
| **Who can I talk to about the change?** | **Proposer:**  Stephen Baker & Gareth Stanley  [Stephen.Baker@nationalgrideso.com](mailto:Stephen.Baker@nationalgrideso.com) & Gareth.Stanley@nationalgrideso.com  07929 724347 & 07548 780508 | | **Code Administrator** **Chair**: Catia Gomes  [Catia.gomes@nationalgrideso.com](mailto:Catia.gomes@nationalgrideso.com)  07843816580 |
| **How do I respond?** | Send your response proforma to[box.sqss@nationalgrideso.com](mailto:box.sqss@nationalgrideso.com) **by 5pm on 10 March 2023** | | |

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# Executive summary

What is the issue?

This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the SQSS to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.

What is the solution and when will it come into effect?

**Proposer’s solution:** The objective of this modification is to implement minimum change to the SQSS Code to facilitate the introduction of CATOs. The approach taken is to extend existing relevant Onshore TO provisions as far as appropriate, reflecting Ofgem's expected licencing regime.

**Implementation date:** Q4 2023

What is the impact if this change is made?

The introduction of the CATO concept will impact NGESO, Transmission Owners and CATOs (by introducing CATO arrangements) and users.

Interactions

There are likely to be consequential changes for the other electricity industry codes such as Grid Code, CUSC, BSC and STC

What is the issue?

On 28 March 2022 Ofgem published its decision[[1]](#footnote-1) to proceed with implementation of the Competition model for the UK’s transmission network. This has been underpinned by the publication of the Energy Security Bill[[2]](#footnote-2), which makes provision to enable competitive tenders for delivery of onshore electricity network assets. The party who wins a competition is often referred to as a Competitively Appointed Transmission Owner (CATO). The Bill will introduce powers to enable the Secretary of State to appoint a body to run tenders and to set criteria to determine a network project’s eligibility to be take part. It will also extend Ofgem’s power to make regulations which will set out the process by which tenders will be run.

To allow onshore electric network competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant codes and standards. The introduction of competition affects the SQSS, Grid Code, CUSC and STC among others. NGESO are proposing this modification in association with the modifications that will be progressed to the other GB Codes and frameworks during the period between Autumn 2022 and Autumn 2023.

## Why change?

For the UK to reach Net Zero by 2050 and achieve independence from imported fossil fuels the UK needs an extensive programme of development and investment in the electricity transmission network. As part of this green energy transition, NGESO expect to see a doubling in electricity demand, driven in part by the electrification of heat and transport. This will require significant reinforcement and repurposing of the National Electricity Transmission System. The introduction of CATOs is aimed at contributing to this by introducing new parties to design, deliver and finance investment and to optimise delivery efficiency.

The Department for Business, Energy and Industrial Strategy indicate that, through the introduction of competition, consumers could see savings of up to £1 billion by 2050 on projects tendered over the next ten years. Ofgem has requested for NGESO to plan how competition could be included within the process of designing, building and owning onshore transmission assets in the early stages of the project lifecycle, known as ‘Early Competition’. NGESO’s Early Competition Plan (ECP) was published in April 2021.

Introducing the concept of CATOs to the relevant industry codes ensures the safe, secure and coordinated operation of the Transmission System by establishing both the obligations on CATOs and those entities interacting with CATO assets. The first phase of the Early Competition procurement process (the pre-tender) is set to commence in the first quarter of 2024, necessitating that the proposed modifications be raised and progressed in line with the Code Administrator proposed timetable.

Following the completion of a competitive tender, a CATO will be awarded a Transmission Licence and categorised as an Onshore Transmission Owner. CATOs will differ from incumbent TOs insofar as, for instance, they will consist of project companies funded through a Tender Revenue Stream to deliver a specific project based on network requirements. As a Licensed TO, CATOs will be subject to broadly the same obligations and frameworks as existing TOs.

What is the solution?

## Proposer’s solution

The objective of this modification is to implement minimum changes to the SQSS to facilitate the introduction of CATOs. The changes listed below, which are non-exhaustive, are made on the assumption that a CATO will be granted a Transmission License and will be categorised as an Onshore Transmission Owner. Our initial assessment indicated that this would include introducing the Competitively Appointed Transmission Owner concept to the **SQSS Terms and Definitions**, in addition to other consequential changes including but not limited to changes to **Specifying the Standards that will apply to CATO assets in the respective incumbent TO areas.**

The list below covers the proposed high-level changes.

**Draft legal text**

Legal text changes details are attached as a per Annex 1:

* Section 4- 6.4.6- Removed reference to “NGET’s transmission area” of NGET’s transmission system
  + Transmission area is not a SQSS defined term
* **Terms and Definitions:**
  1. Add Competitively Appointed Transmission Owner definition
  2. Add definition of Onshore Interface Point
  3. Add CATOs to Onshore Transmission Licensee definition
  4. Add to definition of Transmission System, specifying requirements where a CATO connects to an existing TO with distinct standards as specified at points throughout

the SQSS.

Workgroup considerations

The Workgroup convened 2 times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable Code Objectives.

**Consideration of the proposer’s solution**

The Proposer took the Workgroup through the background and the aim of the modification to introduce the concept of Competitively Appointed Transmission Owners (CATOs) for the purposes of introducing Onshore Network Competition for the design, build and ownership of Onshore Transmission assets.

* A Workgroup Member queried where the involvement of Transmission Service Providers was within the Modification, the Proposer confirmed that the Modification focused on CATOs not Transmission Service Providers. – Request sent to Panel on 25 January 2023 to alter the modification tittle from “GSR031: Introducing Competitively Appointed Transmission Owners & Transmission Service Providers” to “GSR031: Introducing Competitively Appointed Transmission Owners.

The proposer stated that the modification aims to implement minimal changes to the SQSS legal text, and the Workgroup was broadly supportive of the proposed changes that included:

* + Adding the definition of “Competitively Appointed Transmission Owner”;
  + Amending the definition of “Onshore Transmission Licensee” to include CATO; and
  + Adding a clause for where CATOs interface with more than one TO, with the higher standard being determined within the tendering process.
    - 9 examples have been identified within the SQSS regarding difference between connecting to more than one TO which the Proposer believes are resolved with their proposed legal text alongside the existing geographically defined threshold classifications

**Consideration of other options**

*This area should provide an overview of options that the Workgroup have discussed in their initial meetings ahead of the Consultation being issued.*

*Please add any Workgroup Consultation questions into the document where the corresponding text explaining the background information. The template for this is:*

**Workgroup consultation question: Xxxxx?**

## Draft legal text

The draft legal text for this change can be found in Annex 3.

What is the impact of this change?

## Proposer’s assessment against Code Objectives

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| **Proposer’s assessment against SQSS Objectives** | |
| **Relevant Objective** | **Identified impact** |
| (i) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner; | Positive  The introduction of these modifications will ensure that the development of CATO assets will be progressed safely and reliably in line with the standards specified in the SQSS |
| (ii) ensure an appropriate level of security and quality of supply and safe operation of the National Electricity Transmission System; | Positive  Introducing the concept of CATO into the relevant industry codes establishes the obligations of CATOs and those entities interacting with the CATO assets, ensuring the safe, secure and coordinated operation of the System. |
| (iii) facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity; and | Positive  The proposed code changes allow us to create transparency and fairness for competition participants, which is a requirement to set Onshore Network Competition up for success |
| (iv) facilitate electricity Transmission Licensees to comply with any relevant obligations under EU law | Neutral |

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| **Proposer’s assessment of the impact of the modification on the stakeholder / consumer benefit categories** | |
| **Stakeholder / consumer benefit categories** | **Identified impact** |
| Improved safety and reliability of the system | Neutral |
| Lower bills than would otherwise be the case | Positive  Provide commercially efficient growth of the National Electricity Transmission System (NETS) |
| Benefits for society as a whole | Positive  The introduction of competition to onshore electricity networks has a key role to play in improving efficiency in network investment and driving innovative solutions to network needs. These modifications will ensure that the development of CATO assets do not compromise safety and reliability standards |
| Reduced environmental damage | Neutral |
| Improved quality of service | Neutral  Click or tap here to enter text. |

**Standard Workgroup consultation question:** Do you believe that GSR031 Original proposal better facilitates the Applicable Objectives?

When will this change take place?

### Implementation date

Target date Q4 2023

### Date decision required by

November 2023 in order to achieve implementation in time for receiving bids from Q1 2024.

### Implementation approach

No systems or processes will be required to change as a result of this modification.

**Standard Workgroup consultation question:** Do you support the implementation approach?

Interactions

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| --- | --- | --- | --- |
| ☒Grid Code | ☒BSC | ☒STC | ☒CUSC |
| ☐European Network Codes | ☐ EBR Article 18 T&Cs[[3]](#footnote-3) | ☐Other modifications | ☐Other |

How to respond

## Standard Workgroup consultation questions

1. Do you believe that GSR031 Original proposal better facilitates the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?

## 

## Specific Workgroup consultation questions

1. Do you consider 1.24 (Draft Legal Text) relevant for this modification scope?

The Workgroup is seeking the views of SQSS Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to [box.sqss@nationalgrideso.com](mailto:box.sqss@nationalgrideso.com) using the response pro-forma which can be found on the [GSR031modification page](https://www.nationalgrideso.com/industry-information/codes/security-and-quality-supply-standards-old/modifications/gsr031).

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form which you can find at the above link.

*If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.*

Acronyms, key terms and reference material

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| **Acronym / key term** | **Meaning** |
| BSC | Balancing and Settlement Code |
| CMP | CUSC Modification Proposal |
| CUSC | Connection and Use of System Code |
| EBR | Electricity Balancing Guideline |
| STC | System Operator Transmission Owner Code |
| SQSS | Security and Quality of Supply Standards |
| T&Cs | Terms and Conditions |
| CATO | Competitively Appointed Transmission Owner |
| GC | Grid Code |
|  |  |

### Reference material

* [Energy Security Bill](https://www.gov.uk/government/collections/energy-security-bill)
* [BEIS Guidance Note: Energy Security Bill factsheet: Competition in onshore electricity networks](https://www.gov.uk/government/publications/energy-security-bill-factsheets/energy-security-bill-factsheet-competition-in-onshore-electricity-networks)
* [NGESO Early Competition Plan final publication](https://www.nationalgrideso.com/document/191251/download)
* [Ofgem’s Decision on the development of early competition in onshore electricity transmission networks sets out the model of early competition and criteria for network project eligibility to be competed (2022)](https://www.ofgem.gov.uk/sites/default/files/2022-03/Early%20Competition%20Decision%20Final.pdf)

Annexes

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| **Annex** | **Information** |
| Annex 1 | Proposal form |
| Annex 2 | Terms of reference |
| Annex 3 | Legal Text |
| Annex X | Urgency letters (if required) |

1. [https://www.ofgem.gov.uk/publications/decision-early-competition-onshore-electricity-transmission-networks](https://nam10.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.ofgem.gov.uk%2Fpublications%2Fdecision-early-competition-onshore-electricity-transmission-networks&data=05%7C01%7CStephen.Baker%40nationalgrideso.com%7C61e3004ce0a141bfe86008da8f4c28d1%7Cf98a6a5325f34212901cc7787fcd3495%7C0%7C0%7C637979854504662423%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=eh4WhZU0iR45hVNJ9sCddWJ4%2B9tcrJCBfVUJk%2Fl%2BrZo%3D&reserved=0) [↑](#footnote-ref-1)
2. [Energy Security Bill - GOV.UK (www.gov.uk)](https://www.gov.uk/government/collections/energy-security-bill) [↑](#footnote-ref-2)
3. If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process. [↑](#footnote-ref-3)