

Workgroup Consultation Response Proforma

GSR031: Introducing Competitively Appointed Transmission Owner

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to box.sqss@nationalgrideso.com by **5pm on 10 March 2023**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Catia Gomes Catia.Gomes@nationalgrideso.com or box.sqss@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Roddy Wilson
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I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential

☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable SQSS Objectives are:

- 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;*
- ii) *ensure an appropriate level of security and quality of supply and safe operation of the National Electricity Transmission 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*
- iv) *facilitate electricity Transmission Licensees to comply with any relevant obligations under EU law.*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe the solution better facilitates:
		Original <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv
		<p>No.</p> <p>This modification seeks to implement minimum changes to the legal text of the SQSS to introduce the concept of CATOs. We understand that the intended purpose is to address a defect in the SQSS that only emerges should the enabling legislation be implemented. The proposal is to avoid the SQSS not having the CATO concept in place once the legislation has been implemented. Therefore, it is necessary to amend the legal</p>

	<p>text. The defect would not come into effect if the enabling legislation, as currently drafted, is not passed, and implemented.</p> <p>The proposal is also developed on the assumption that CATOs will be introduced as licenced TOs and on a 'level playing field', meaning the same obligations as an incumbent TO. This means by introducing the concept of CATO the legal text is not improving the code, but simply adding to what is already there within the TO arrangements.</p> <p>Given this intended scope, we think that the Original Proposal is neutral when assessed against the applicable objectives. Further that it should be clearly stated that the intention is not to assess the benefits or disbenefits of the concept CATO against the counterfactual of incumbent TOs and the RIIO price control. For the avoidance of doubt, we do not believe that the benefits case for the CATO concept has been made or sufficiently evidenced by BEIS, Ofgem, or in the ESO's CBA.</p> <p>We understand that is not the Proposers' intention that this modification seeks to advocate for the benefits of the CATO regime. Our concern, however, is that the proposal sets out several assumed benefits of the introduction of the concept of CATOs. The proposer, in setting out in the 'why change section' (effectively the defect statement) that BEIS have 'indicated' that the introduction of CATOs 'could see savings of up to £1 billion by 2050 on projects tendered over the next ten years', infers that the modification in addressing the defect will realise these perceived benefits of the regime. This is compounded by claiming a positive, rather than a neutral, impact on the code objectives (i), (ii), and (iii).</p> <p>The risk is that agreement by workgroup members that the impact on the applicable objectives is positive is inferred as agreement with perceived benefits of the CATO regime. It should not be.</p> <p>This risk can be avoided. Firstly, by assessing the objectives as neutral. Secondly, by clearly setting out in the Code Administration Consultation and Final Modification Report that the purpose of the modification is intended to guide the CATOs as they enter the industry and facilitate the Early Competition model within the code environment, not to advocate for the CATO regime. Thirdly, by removing in the Code Administration Consultation and Final Modification Report the references to benefits case and perceived benefits in the 'why change' defect section.</p> <p>We do not think that it is the intention of the Proposer to claim that the modification will realise £1bn benefit for consumers or</p>
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		that proposer is responsible for realising that benefit for consumers by implementing the modification. However, if it is then the Proposer should set out clear evidence that the introduction of CATOs improves objectives (i), (ii), and (iii) against the counterfactual of Transmission Owners and RIIO price control, and that £1bn of benefit will be realised by consumers and how this can be assessed.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>No.</p> <p>Due to the essential role electricity network infrastructure provides in keeping the lights on, enabling the transition to net zero emissions, and securing the country's future security of supply and energy independence, we believe the concept of CATOs should not be codified until sufficient evidence has been provided by policy makers that four key tests have been satisfied prior to its introduction.</p> <p>There should be a documented requirement within the Modification Proposal and implementation approach that, the Final Modification Report for this modification shall not be submitted to Ofgem for approval until all enabling legislation is in place, tests against the baseline have been established and satisfied, and dependencies resolved. Or where any part of the below is not necessary prior to the Final Modification Report, why it is not necessary for Ofgem to make an informed decision for implementation.</p> <p>Enabling legislation:</p> <ul style="list-style-type: none"> • Primary legislation of the Energy Security Bill, and • All supporting secondary legislation. <p>Tests:</p> <ul style="list-style-type: none"> • Maintain security of supply and the high reliability standards and performance of GB's electricity networks for consumers. Avoiding fragmentation of responsibility; and ensuring new entrants are subject to the same rules, responsibilities, and obligations of incumbent GB Transmission Owners, • Accelerate, not delay, the delivery of the UK's legally binding net zero emissions reduction targets and efforts to secure the country's future energy independence, • Provide demonstrable benefits to, and be supported by, consumers, businesses, industry, and electricity generators; underpinned by robust and transparent economic impact assessments, and

		<ul style="list-style-type: none"> Lessons must be learned from extending competition in the energy retail market.
3	Do you have any other comments?	<p>Yes.</p> <p>We note that for STC modifications CM086 and CM087, the Workgroup added to their Terms of Reference:</p> <ul style="list-style-type: none"> Consider the cross-code impacts that this modification has, with particular consideration of any consequential impacts to [STC, Grid Code, SQSS and CUSC as appropriate], and Ensure that the proposed [STC, Grid Code, SQSS and CUSC as appropriate] changes effectively implement the CATO regime in a proportionate manner, adopting minimum necessary change whilst also ensuring that the new arrangements are future proofed as much as possible. <p>These requirements should be added to the terms of reference for GSR031, and should be added to all CATO modifications including CMP403 and CMP404.</p>