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| Workgroup Report | | | |
| **GC0159: Introducing Competitively Appointed Transmission Owners**  **Overview:** This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the Grid Code to enable Onshore Network Competition for the design, build and ownership of Onshore Transmission assets. | | **Modification process & timetable**    **Proposal Form**  29 September 2022  **Workgroup Consultation**  25 January 2023 - 15 February 2023  **Workgroup Report**  18 May 2023  **Code Administrator Consultation**  02 June 2023 - 03 July 2023  **Draft Final Modification Report**  19 July 2023  **Final Modification Report**  08 August 2023  **Implementation**  Q4 2023  **1**  **2**  **3**  **4**  **5**  **6**  **7** | |
| **Have 5 minutes?** Read our [Executive summary](#_Executive_summary_1)  **Have 20 minutes?** Read the full [Workgroup](#_Why_change?) Report  **Have 30 minutes?** Read the full Workgroup Report and Annexes. | | | |
| **Status summary:** The Workgroup have finalised the proposer’s solution as well as X alternative solutions. They are now seeking approval from the Panel that the Workgroup have met their Terms of Reference and can proceed to Code Administrator Consultation. | | | |
| **This modification is expected to have a: High impact** NGESO, Transmission Owners, prospective CATO entities (by introducing CATO arrangements) **Low impact** Users | | | |
| **Modification drivers:** Transparency, Cross-Code Change, Efficiency, Governance, Harmonisation, Ofgem-led, System Planning. | | | |
| **Governance route** | ​​Standard Governance modification with assessment by a Workgroup​ | | |
| **Who can I talk to about the change?** | **Proposer:**  Stephen Baker & Alastair Grey  [Stephen.Baker@nationalgrideso.com](mailto:Stephen.Baker@nationalgrideso.com)  & [Alastair.Grey@nationalgrideso.com](mailto:Alastair.Grey@nationalgrideso.com)  07929 724347 & 07866 150057 | | **Code Administrator** **Chair**:  Catia Gomes  [Catia.gomes@nationalgrideso.com](mailto:Catia.gomes@nationalgrideso.com) |

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# Executive summary

This modification aims to introduce the concept of Competitively Appointed Transmission Owners (CATOs) to the Grid Code 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 Grid 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

**Summary of alternative solution(s) and implementation date(s):**

*Summary of any alternatives that have been raised (1-3 sentences).*

**Workgroup conclusions:** The Workgroup concluded unanimously/by majority that the Original and WACM1 better facilitated the Applicable Objectives than the Baseline.

What is the impact if this change is made?

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

Interactions

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

What is the issue?

On 28 March 2022 Ofgem published its decision1 to proceed with implementation of the Early Competition model. This has been underpinned by the publication of the Energy Security Bill2, introduced to Parliament on 6 July 2022 and expected to receive Royal Assent in the Summer of 2023 which makes provision to enable competitive tenders for delivery of onshore electricity network assets. 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 competed. It will also extend Ofgem’s power to make regulations which will set out the process by which tenders will be run.

To allow Early Competition to be implemented effectively, the competition processes, obligations, technical requirements, charges, and remuneration principles need to be embedded within the relevant codes. The introduction of Early Competition affects the Grid Code, SQSS, 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?

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. As a Licensed TO, CATOs will be subject to broadly the same obligations and frameworks.

Note: while TOs (and CATOs) are not subject to the Grid Code since this is User facing, they are referenced in numerous places to clarify User obligations.

What is the solution?

## Proposer’s solution

​​The objective of this modification is to implement minimum changes to the Grid Code 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. The list below covers the proposed high-level changes:

* **​Safety and Technical Standards:** changes include determining which Standards apply.
* **​Power Station Thresholds** (which may interact with modification [**GC0117**](https://www.nationalgrideso.com/industry-information/codes/grid-code-old/modifications/gc0117-improving-transparency-and))
* **​Glossary & Definitions:** introduce the CATO concept; Amend definitions: Onshore Transmission Licensee; Transmission Interface Points (Onshore to Onshore); E&W Transmission System; E&W Transmission Licensee Small, Medium and Large Power Stations; Local Safety Instruction; Scottish Transmission Licensee; Scottish Transmission System; Remote Transmission Assets; and Transmission Interface Circuit.
* **​Planning Code:** introduce amendments to Appendix C to ensure technical, design and operational criteria for CATO licensees are clarified.
* **​Operating Codes:** Introduce concept of CATO in relation to Restoration Planning; It is proposed that the solution and legal text be developed within the Work Groups concurrently with the GC0156 modification. Minded to position is that the obligation on CATO’s with respect to Restoration Planning align with the current obligations of the incumbent TO’s. However, whilst today the NGESO can delegate authority to SPT and SHE-T to initiate the Restoration Process in Scotland, we do not propose that this applies to CATOs who operate in Scotland.
* ​Account for CATO in **Governance Rules and Representation**, suggested path being to group with Onshore Transmission Licensees.
* **​European Connection Conditions:** modifications required to ensure CATOs are adequately represented and captured with reference to relevant Transmission Licensees.
* **​Balancing Codes**: detail obligations of BMUs in relation to the commencement or termination of their participation in the BM. Relevant Demand Capacity varies across the SPT's SHETL's and NGET's network. There is a need to reference CATO concept.
* **​General Conditions;** Insert reference to CATO. Including GC.A.2.7 and GC.A.2.8 - add in concept of CATO to provision of data. Currently only references SPT and SHETL
* **​Governance Arrangements**

​​

Workgroup considerations

The Workgroup convened XX 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 Objectives.

The Workgroup held their Workgroup Consultation between 25 January 2023 – 15 February 2023 and received 6 responses. The full responses and a summary of the responses can be found annexes 3 and 4.

### Consideration of the proposer’s solution

The proposer delivered a presentation on the Competitively Appointed Transmission Owners (CATOs). Issues highlighted by Workgroup members are as follows:

* Concerns that this modification presents a lot of changes and complexity and that it might rely on STC changes for support. The workgroup members expressed that they weren't sure if they are ready to start codifying material.
* Interactions with other codes, specifically STC that impacts TOs obligations need to be clear to try avoiding issues further down the line.
* Clarity on CATOs obligations and specifics from Ofgem are required to better facilitate the understanding of the change.
* Consider representation from CATOs in Panel’s - Consider their obligations and the way they are financed, as OFTOs are not represented in the Panel
* One Workgroup member stated that they expect CATOs to have the same obligations as TOs, and if that were not the case, he would need a thorough explanation.

**Draft Legal text discussions**

The Workgroup discussed the legal text with suggestions and updates taken on board by the proposer, focusing on the following:

* The need to clarify the approach to geographical areas/position and how the CATOs will fit within this.
* A CATO that is appointed to build transmission assets that terminate in two different TOs areas – are they allowed? What standards does the CATO take?  - A Workgroup member stated that CATOs should have their specific Relevant Electrical Standards RESs (as they are specific to the company not to the area)
* A group member advised that if in the future the CATO’s need to be removed from Grid Code it will be simpler if they have their own definition rather than if they are merged into definition. CATO’s need to have their own definitions to make the distinction with Onshore Transmission Licensees.
* A group member highlighted the need to consider G0117 and the decisions that would come from that modification, when looking into the Control Point.
* The Proposer suggested to remove the concept of E&W competitively appointed Transmission system to accommodate the comments made by workgroup members to the draft Legal text regarding the geographical position of the CATO. Workgroup was happy for this to go ahead but advised the Proposer to be mindful of other definitions where there can be an impact and implications.
* As a licenced TO, CATOs will be required to maintain a set of Relevant Electrical Standards, and these will be captured within the Annex to the General Conditions. Following Workgroup discussion, it was decided that it wasn't appropriate to reference within the General Conditions the obligation for CATOs to initially form/create a set of Relevant Electrical Standards.This is as per the suggestion of workgroup and reflects the fact that TO obligations to maintain RES are not currently borne out of the Grid Code. It is the proposer's recommended solution that as part of the Network Competition procurement process, prospective CATOs will be required to determine a set RES which are no less stringent than the incumbent TO.

### Other options/Alternatives

*This area should provide detail all of options that the Workgroup have discussed and any that have been raised as Workgroup Alternative Proposals.*

*If there are many Alternatives raised, you can insert a table of alternatives such as the below. Columns can be added for alternatives which need a matrix table.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Solution** | **Party** | **Characteristic** | **Implementation** |
| *Name* |  |  | *Date* |

## Workgroup consultation responses summary

* + Out of 6 respondents, 5 support that the original proposal better facilitate 1 or more of the applicable Grid Code objectives (mostly a, b, c); 1 respondent did not support the proposal.
  + There was a split between respondents who support the implementation approach (4) and respondents who did not (2).
    - 1 respondent believes it will be in the interest of the wider industry, for CATOs to demonstrate the same accountability as incumbent TOs to ensure reliability and security of the transmission system.
    - 1 respondent agrees with the proposed implementation approach, although it would be prudent to await the passage of the enabling legislation before submission of the modification report to the Authority.
    - 1 respondent believes 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, another respondent states that the legal text Legal text is currently flawed in relation to Planning Code Appendix C.
    - 1 respondent agrees that the implementation of this change in Q4 2023 is appropriate.
  + 1 respondent believes the modification has the inbuilt assumptions CATO will be granted a Transmission License and will be categorised as an Onshore Transmission Owner. The codification of CATOs should always reflect this assumption.
  + No alternatives were raised from the workgroup consultation responses.
  + All respondents answered that they have a preferred approach that CATOs might follow to do on how TOs initially form/create their RES, there were mixed views on this, comments included:
    - Any RES shall be inherited from the incumbent TO, and the CATO shall maintain them.
    - Existing RES should not be automatically applied to CATOs
    - CATOs RES should be initially determined through the tendering process. Modification of this CATO RES in future would be done through the existing documented process in the Grid Code.
    - The responsibility of the individual transmission owner to determine and establish what a relevant suite of standards for connection to its network are.
    - It would be pragmatic for CATOs to initially create their RES in a way that is cognisant of, and with reference to, the RES applicable to the TO in whose licence area they are located.
    - The team managing the tendering process require the CATO to comply with the RES published in the appendices of the SQSS.

The full Workgroup Consultation Responses summary file can be found in Annex 4 .

**Post Workgroup Consultation Discussions**

Workgroup members were concerned with ESO’s position in terms of the Proposal and their rationale, one Workgroup member questioned if this modification was a directive from Ofgem or if the ESO has taken upon himself to do it at this stage.

The Workgroup felt that the evaluation of the objectives (a, b and c) in the Proposal form are not clear, and some Workgroup members advised that clarity is needed around whether the Workgroup is being asked to access the benefits of the CATO regime to the baseline and for consumers or if this modification is only intended to introduce the CATO concept to the codes as there is a new Legislation coming.

The Proposer confirmed that this 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.

Taking in the Workgroup general view and suggestions, the Proposer agreed to reassess the modification against the code objectives.

Some of the Workgroup members suggested that the primary Legislation should be passed before the modification is approved. The proposer agreed to have the primary legislation in place prior to submitting the modification.

The Ofgem representative advised that in his perspective he is very confident that in terms of the development of the CATO regime, Ofgem has made a clear and strong case, hence the Legislation being brought forward. He also advised that it would be a worst outcome if the CATO regime is approved, and we don’t have the changes in the codes to support that.

## 

## Legal text

The legal text for this change can be found in Annex 6.

What is the impact of this change?

**Proposer’s assessment against Code Objectives**

|  |  |
| --- | --- |
| **Proposer’s assessment against Grid Code Objectives** | |
| **Relevant Objective** | **Identified impact** |
| (a) To permit the development, maintenance, and operation of an efficient, coordinated and economical system for the transmission of electricity | ​​Neutral |
| (b) Facilitating effective competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity); | ​​Neutral  ​ |
| (c) Subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole; | ​​Neutral  ​ |
| (d) 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; and | ​​​  Positive  Legislation is impending which will enable the Secretary of State to appoint a Delivery Body to run competitions for onshore electricity transmission networks. Code changes are required to implement the industry changes enabled through this legislation.  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. |
| (e) To promote efficiency in the implementation and administration of the Grid Code arrangements | ​​Neutral​ |

Note: the proposer has revised the stated impact of these changes, taking on feedback from Workgroup during post-consultation Workgroup discussions.

## Workgroup vote

The workgroup met on XX XXXXX to carry out their workgroup vote. The full Workgroup vote can be found in Annex 5. The table below provides a summary of the Workgroup members view on the best option to implement this change.

The Applicable Grid Code Objectives are:

**Grid code**

1. To permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity
2. Facilitating effective competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the national electricity transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity);
3. Subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in the national electricity transmission system operator area taken as a whole;
4. 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; and
5. To promote efficiency in the implementation and administration of the Grid Code arrangements

The Workgroup concluded unanimously/by majority that the Original and WACM1 better facilitated the Applicable Objectives than the Baseline.

|  |  |
| --- | --- |
| **Option** | **Number of voters that voted this option as better than the Baseline** |
| Original |  |
| WACM1 |  |
| WACM2 |  |

When will this change take place?

### Implementation date

**​**Q4 2023.**​**

### Date decision required by

***​​***November 2023.​

### 

### Implementation approach

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

Interactions

|  |  |  |  |
| --- | --- | --- | --- |
| ☒CUSC | ☒BSC | ☒STC | ☒SQSS |
| ☐European Network Codes | ☐ EBR Article 18 T&Cs[[1]](#footnote-1) | ☐Other modifications | ☐Other |

Acronyms, key terms and reference material

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

**Reference material**

* [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)

* [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)

Annexes

|  |  |
| --- | --- |
| **Annex** | **Information** |
| Annex 1 | Proposal form |
| Annex 2 | Terms of reference |
| Annex 3 | Workgroup consultation responses |
| Annex 4 | Workgroup consultation summary table |
| Annex 5 | Workgroup vote |
| Annex 6 | Legal Text |
|  |  |

1. 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-1)