



STC Code Panel

Wednesday 29 November 2023

Online Meeting via Teams

WELCOME



Approval of Panel Minutes

Approval of Panel Minutes from the Meeting held 25 October 2023



Action Log



Authority Decisions and Update



Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
CM080 – Transmission Impact Assessment Process	11 October 2022	30 November 2023
CM89/91 - Implementation of the Electricity System Restoration Standard & Implementation of Emergency and Restoration Code Phase II	13 September 2023	30 January 2024

The Authority's publication on decisions can be found on their website below:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>



New Modifications

CM093 – Extending the principles of the User Commitment Methodology
to Final Sums Methodology as a consequence of CUSC Modification
CMP417



**Proposal – CMP093: Extending Principles of CUSC Section 15 to all Users
as a consequence of CUSC modification CMP417**

David Halford – 29 November 2023

CM093 - Extending principles of CUSC section 15 to all Users



Background

There are two security methodologies currently in use to determine a User's financial liability and security requirement which is required in relation to the provision of new, or amended capacity:

- CUSC section 15 'User Commitment Methodology' - Users: Applies to all customers categorised as generation or embedded generation.
- Final Sums methodology – outlined in CUSC Schedule 2, Exhibit 3, Part 2 - Users: Directly connected demand customers and DNO's (embedded demand, transmission works not triggered by embedded generation)

CUSC section 15 principles include security requirements reducing as a connection becomes more certain and hits key milestones, the ability to fix attributable securities and the securing of a wider liability applicable to all parties. For Customers under Final Sums methodology, for their security requirements, they must secure all the TO spend required to connect their project.

The differing approaches has created a two-tiered process and this modification is aiming to introduce more equitable treatment to all Users connecting to the NETs by extending some of the principles under CUSC section 15 to Users under Final Sums methodology.

Context

Covers a proportion of liability; reducing rate as project passes set milestones and nears completion

CMP192, and subsequent mods worked to lower perceived barriers to new entrants and incentivise timely communication of termination.

Demand Users were not included in these mods – general consensus at the time was that Demand users only triggered the specific assets built to connect them

CUSC Section 15 User Commitment Methodology

CMP192 Generators
- 2012

CMP222
Interconnectors and
Pumped Storage -
2015

CMP223 Embedded Gen
with BEGA, Distribution
System – Connection
Agreement with
Distributed Gen - 2015

Final Sums methodology

Distributed
connected Demand

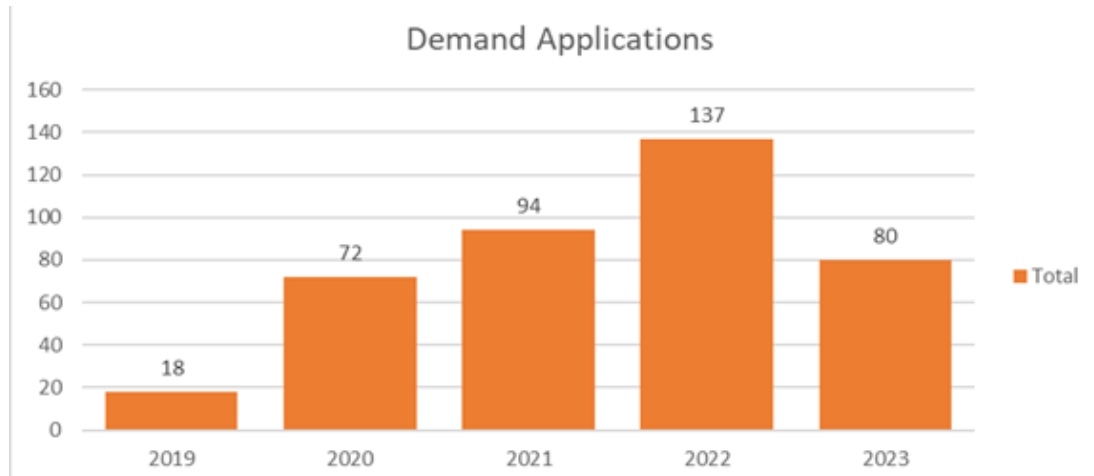
Transmission
connected Demand

DNO not triggered
by EG (e.g. asset
replacement works)

User will secure all spend to connect their project as it progresses. No reducing factors applied, secures 100% of a TO's spend to connect their project

Why change and what is the defect?

- An increase in Demand connections over recent months and years has driven transmission works beyond the connection site – previous extension of Section 15 to other Users has been a stepped process with Demand Users out of scope of those mods due to the type of works they initiated



We are now seeing increasing Demand Connections which are driving Transmission Works beyond the Connection Site

- The principles of Final Sums methodology acts as a barrier to entry for some developers, rendering some projects inviable
- Formal complaints have been received from customers outlining the commercial impact to their businesses because of the substantial security amounts they've received in their Construction Agreements
- Improving the cost reflectivity that Users have on a TO's spend profile will help reduce uncertainty for developers whereby the security they need to secure is reflective of the transmission liabilities they actually impose.

Solution

Our proposed solution for this STC Mod is to work with the TO's to define and scope works that customers are liable and required to secure in line with the CUSC Final Sums conventions i.e. Part 1 works required for the user and Part 2 wider system works within the Transmission Owner Construction Offer/Agreement (TOCO/A). We also see that attributable works for these user groups should be scoped, defined and implemented in the TOCO/A and in line with the CUSC Offer/Agreements.

CMP417 solution provides reducing factors to a customer's liability, producing a customer's cancellation charge or termination amount. We'd therefore like to see the necessary change in STC whereby TO's provide the Strategic Investment Factor (SIF) and Local Asset Reuse Factor (LARF) for all users not just those currently specified in STC Section 9.

Solution



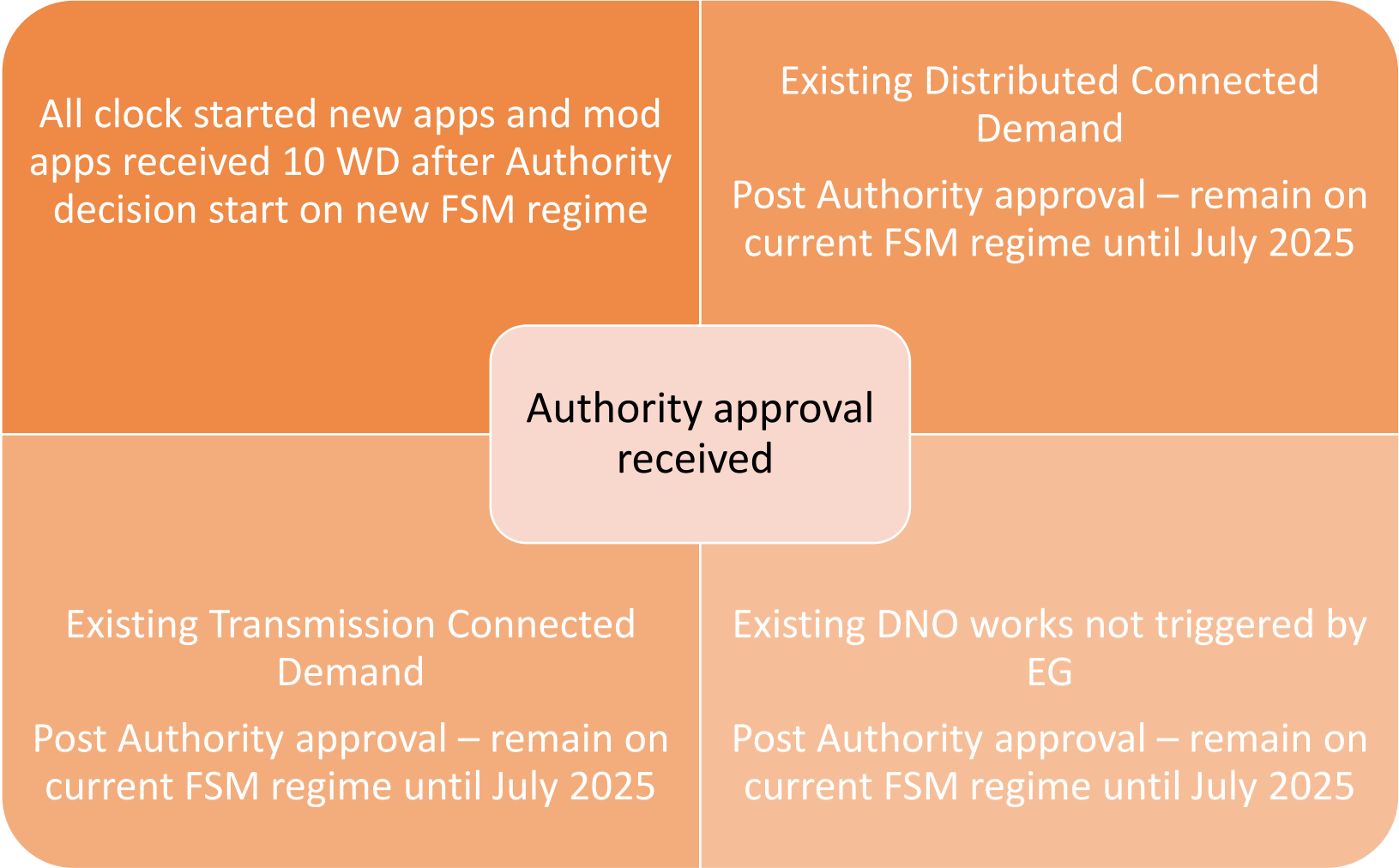
Solution

- STC Schedule 9, 7.5 Provision of Bi-annual estimate – this section refers to an estimate – we would like WG discussion on consideration of how works should be structured in the TOCA and flow through to Construction Agreement which may require clarity to be added into this schedule – we suggest bringing this in line with CUSC Schedule 2, Exhibit 3 Part 2, and further defining Appendix H Part 1 – Enabling Works (work required for the User) and Part 2 – Wider Transmission Reinforcement Works (works required for wider system reasons);
- STC Schedule 9, Section 12: Attributable Works –requires workgroup discussion on clarity of Attributable works for Demand;
- STC Section J – Interpretation and Definitions – possible amendments to terms “TO Final Sums” and “Attributable Works” – requires workgroup discussion.
- STC Section I – Transition – there will be a transition period for existing Users on Final Sums methodology to move to the new regime.

Proposed process amends:

- Creation of a STCP SIF and LARF methodology for Final Sum methodology Users or an amendment to STCP13-2 SIF and LARF methodology – requires WG discussion and would follow through as a separate SCTP Modification.
- Creation of a Final Sums methodology guidance note, which we would like the WG to review.

Implementation – transition plan in line with CMP417



TDemand	NG ET	SP T	SSE NT
Unsigned	16	6	3
Signed	57	15	3

DDemand	NG ET	SP T	SSE NT
Unsigned	5	0	0
Signed	7	0	0

DNO	NG ET	SP T	SSE NT
Unsigned	12	0	2
Signed	20	0	0

Timeline for CM093 – Proposed Timeline

Milestone	Date	Milestone	Date
Modification presented to Panel	29 November 2023	Code Administrator Consultation (15 working days)	03 July 2024 to 24 July 2024
Workgroup Nominations (15 Working Days)	30 November 2023 to 20 December 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	19 August 2024
Workgroup 1 Workgroup 2 Workgroup 3	24 January 2024 21 February 2024 19 March 2024	Panel undertake DFMR recommendation vote	28 August 2024
Workgroup Consultation (15 working days)	03 April 2024 – 24 April 2024	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	29 August 2024 – 4 September 2024
Workgroup 4 Workgroup 5	8 March 2024 12 June 2024	Final Modification Report issued to Ofgem	05 September 2024
Workgroup report issued to Panel (5 working days)	18 June 2024	Ofgem decision	TBC
Panel sign off that Workgroup Report has met its Terms of Reference	26 June 2024	Implementation Date	10 days following Authority decision

CM093 – the asks of Panel

- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel decision)
- **AGREE** that this Modification should proceed to Workgroup
- **AGREE** Workgroup Terms of Reference
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions
- **NOTE** the proposed timeline

Inflight Modification Updates

CM086 – Introducing Competitively Appointed Transmission Owners & Transmission Services Providers

- Timeline Update

PM0127 (STCP changes as a result of CMP286)

- Re-presented for approval in principle

PM0135 - Proposed amendments to STCP 19-3 - Operational Notification and Compliance Testing

- Re-presented for approval.

Timeline for CM086 – 02nd October 2023

Milestone	Date	Milestone	Date
Proposal Presented to Panel	14 December 2022	Workgroup Report issued to Panel	5 December 2023
Workgroup 1 – Understand / discuss proposal and solution, note the scope and identify any possible alternative solutions, agree timeline and review terms of reference, agree next steps.	24 January 2023	Panel sign off that Workgroup Report has met its Terms of Reference	13 December 2023
Workgroup 2 – Review of legal text Theme 1 – General & Theme 2 – Technical Operations	1 March 2023	Code Administrator Consultation	08 January 2024 – 08 February 2024
Workgroup 3 – Review of legal text Theme 3 Billing and Payment & Theme 4 Planning Coordination	30 March 2023	Draft Final Modification Report (DFMR) issued to Panel	20 February 2024
Workgroup 4 – Finalise solution, consider / finalise alternatives, draft consultations questions	25 April 2023	Panel undertake DFMR recommendation vote	28 February 2024
Workgroup 5 – Finalise consultation questions, review consultation report	24 May 2023	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	04 March 2024 – 08 March 2024
Workgroup Consultation	05 June 2023 – 05 July 2023	Final Modification Report issued to Ofgem	26 March 2024
Workgroup 6 - (Post Workgroup Consultation) – Review / assess Workgroup consultation responses and Workgroup Report.	17 July 2023	Ofgem decision	TBC – Required by Q4 2023
Workgroup 7 – Finalise solution(s) and legal text, agree that Terms of Reference have been met, Review Workgroup Report and hold Workgroup Vote	21 November 2023	Implementation Date	10 working days after Ofgem decision
Workgroup 8 - (If required)	28 November		

CM086 Introducing Competitively Appointed Transmission Owners & Transmission Services Providers (Timeline Update)

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem
Previous timeline	12 November 2023	23 January 2024	12 February 2023
New timeline	5 December 2023	20 February 2024	26 March 2024

Rationale: The timeline has been revised due to the approval of legislation being delayed

Workgroups Remaining: 2

Ask of Panel: Agree revised timeline?



**Proposal – PM0127 Changes to STCPs required to facilitate CUSC modification
CMP286:**

***Improving TNUoS Predictability through increased notice of the Target Revenue
used in the TNUoS Tariff Setting Process***

David Halford – 29 November 2023

Overview of CMP286 and CMP287 Modification

CMP286 and CMP287 are modifications raised by npower (now E.ON Energy), to improve the predictability of TNUoS demand charges by:

- **CMP286** - Fixing TNUoS Target Revenue 15 months in advance of final TNUoS Tariffs being published (current process is 3 months in advance)
- **CMP287** - Fixing selected parameters which feed into the TNUoS Tariff setting process 15 months in advance of final TNUoS Tariffs being published (current process is 3 months in advance)

It was noted by the proposer that by fixing these elements in advance, it would enable suppliers to more accurately cost fixed tariffs over one year in length and reduce the risk premia that is current applied giving a better deal to consumers. It will however increase the cashflow risk associated with inaccurate forecasts which was also the subject of STC modification [PM0119: TNUoS Revenue Collection Risk Transfer](#).

- **An alternative proposal has been submitted by NGESO which was approved as an official alternative, to remove the “ESO pass through costs” from being fixed 15 months in advance and keep at 3 months in advance as per the current process.**
- **CMP286 and 287 were aligned and presented to Ofgem as a single Final Modification Report on the 7th December 2022.**

PM0127 - STC Requirements/Consequential Changes

To facilitate these CUSC Modifications, changes will be required to STCPs 13-1, 14-1 and 24-1 to ensure that the amended process and timeline is reflected in:

- TO General System Charge forecasts requested by the ESO from the TOs reflect the relevant Financial Years
- The deadline for the date that revisions to the TO General System Charges can be made
- The change in the date that onshore TOs will update and provide the final revenue
- Any additional reporting, and frequency of this reporting, required from the ESO to the TOs to enable the TOs to assess any variance to the forecasts once they have been fixed

Separate changes will not be required for the proposed alternative CUSC solution with the changes identified above applicable to both proposals

CUSC Modifications – Ofgem Send Back and Re-Approval of STCP Proposal

- On the 30th June 2023, a send back letter was received from Ofgem in respect of the CMP286 and CMP276 modifications, citing the following reasons for the send back:
 - Procedural issues: single set of Panel voting and a single set of proposed legal text.
 - Lack of analysis of the impact of CMP287.
- Following the send back letter (and discussions with the proposer of the modification), a decision was made to separate the CUSC modifications CMP286 and CMP287
- A review has taken place in respect of the STCP changes which were approved in principle at the September 2022 STC Panel, which has concluded that the changes required to STC Procedures **relate to the CMP286 modification only**
- Following the presentation of these changes at the October 2023 STC Panel, the ESO contacted Ofgem at the request of the STC Panel representatives to confirm the view that the changes represented materiality to the TOs, and a decision was sort from in terms of whether Ofgem are happy for the TO Panel to make a decision on these changes need to be reviewed alongside CMP286.

Confirmation received from the Ofgem on the 9th November:

Having consulted with the policy team leading on CMP286 to which this STCP change relates, we are content for the STC Panel to consider this procedural change.

Therefore, we direct the STC Panel to make the decision on PM0127 noting the materiality of the STCP and that our decision on CMP286 is pending.

The PM0127 modification was formally raised and approved at the STC Panel on 28th September 2022, but in light of the send back from Ofgem in respect of the CUSC modification, and the direction from Ofgem in respect of materiality, the STCP changes are being re-presented to the Panel for approval in principle.



PM0135 – Proposed changes to STCP19-3 to improve clarity and Compliance responsibilities between the ESO and TOs - DRAFT

David Halford – 29 November 2023

Overview of Draft PM0135 Modification

- STCP19-3 documents the Operational Notification and Compliance Testing processes and responsibilities of both the National Grid Electricity System Operator (NGESO) and the relevant Transmission Owner (TO).
- The ESO is proposing changes to STCP19-3, with the aim to ensure the ESO and TOs are clear on their roles and responsibilities in relation to Operational Notification and Compliance Testing processes in order to avoid potential confusion between parties and provide overall improvements to the process.

The proposed changes to STCP19-3 will cover the following areas:

- Amend any references to 'NGET' to "The Company" where appropriate.
 - Remove the risk of commercially sensitive data being shared between NGESO and the TOs with the facilitation of a Sharepoint site which will ensure only the relevant data required to validate Compliance is shared between the User and TO.
 - Removal of possible duplication of tasks e.g., where the NGESO compliance Team and Project Engineer are chasing the same updates.
 - Ensure the role and responsibilities between parties are clearly defined.
 - Ensure the compliance process is consistent across all parties.
-
- **Two sessions have taken place between ESO and the On-Shore TOs to review and refine the proposed changes to STCP19-3.**
 - **The creation of a Sharepoint site for all TOs to access as apart of these proposed changes has been completed with links shared with the relevant TOs for testing.**

Approval of PM0135

- The Draft Proposal was presented to the October 2023 STC Panel.
- The ESO confirmed that they do not believe these proposed changes will result in any material changes for the TOs as the ESO is not proposing to change the current role and responsibilities it plays in the Compliance process. This view was presented to the Panel with no objections.
- The final changes to STCP19-3 were sent to the STC Panel Representatives on the 8th November.

The changes made to STCP19-3 as a result of the PM0135 Modification are now being presented to Panel for approval



Draft Final Modification Report

CM079 – *Consideration of STC/STCP changes in relation to CMP330/CMP374*

Solution(s)

Solution/summary of solutions:

- CUSC modification proposals [CMP330/CMP374 \(Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections\)](#) and [CMP414 \(CMP330/CMP374 Consequential Modification\)](#) have been developed and Final Modification Reports submitted for their Authority decisions
- This modification identifies changes required in the STC to align with the proposed CUSC changes and assesses the impact of those changes for the Authority to consider.

Code Administrator Consultation Responses

Summary of Code Administrator Consultation Responses :

- Code Administrator Consultation was run from **04/10/2023 to 25/10/2023** and received 3 non-confidential responses and 0 confidential responses Key points were:
 - The TO respondents noted their support for CM079's role in providing consistency with the CUSC should CMP330/374 & CMP414 be approved.
 - The TO respondents do not support the proposed implementation approach until the requested discussions have been held with the Authority and concerns alleviated for the impact of the CUSC-STC modification package on Price Control and other regulatory mechanisms. The ESO supports the implementation approach, seeing it as supporting developers with choice for more efficient connections as part of the UK's net zero initiatives.
 - There is support for the CM079 proposal from all respondents to allow alignment with the CUSC (should the wider CMP330/374 & 414 package be approved). The ESO noted that, if approved, the proposal was beneficial to end consumers via the introduction of more competition and should enable more connections to the Transmission System in conjunction with other earlier connection measures.
 - No legal text issues identified.

CM079 - the asks of Panel

- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Grid Code
- **VOTE** whether or not to recommend implementation
- **NOTE** next steps

CM079 – Next Steps

Milestone	Date
Draft Final Modification Report presented to Panel	29 November 2023
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	01 December 2023 – 7 December 2023
Submission of Final Modification Report to Ofgem	11 December 2023
Ofgem decision date	TBC
Implementation Date	10 Day after Authority Decision

Any Other Business

- STC Procedure proposal for Queue Management – Update RW
- Joel Matthews – Request to move Panel to the afternoons – clash with his other internal meeting

Activities ahead of the next Panel Meeting

Modification Proposals to be submitted

28 November 2023

Papers Day

05 December 2023

Panel Meeting

13 December 2023
Microsoft Teams

Close



Deborah Spencer
Independent Chair, STC Panel