

AMENDMENT REPORT

STC Proposed Amendment CA038 Transitional Election Arrangements for Offshore Transmission Owners

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CA038

Amendment Ref	CA038
Issue	1.0
Date of Issue	29 th September 2010
Prepared by	STC Committee

I DOCUMENT CONTROL**a STC Document Control**

Version	Date	Author	Change Reference
0.1	23/06/10	STC Committee	Draft for STC Committee
0.2	27/07/10	STC Committee	Proposed Amendment Report for Industry Consultation
0.3	24/08/10	STC Committee	Draft Final Report for STC Committee
1.0	29/09/10	STC Committee	Final Report for Authority

b Document Location

Nation Grid Website:

<http://www.nationalgrid.com/uk/Electricity/Codes/sotocode/>

c Distribution

Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
STC Parties	Various
Interested Parties	Various
Core Industry Document Owners	Various
National Grid Industry Information Website	

II	CONTENTS TABLE	
I	DOCUMENT CONTROL	2
	<i>a</i> <i>STC Document Control</i>	2
	<i>b</i> <i>Document Location</i>	2
	<i>c</i> <i>Distribution</i>	2
II	CONTENTS TABLE	3
1.0	SUMMARY AND RECOMMENDATION	4
2.0	PURPOSE AND SCOPE OF THE REPORT	4
3.0	THE PROPOSED AMENDMENT	5
4.0	ALTERNATIVE AMENDMENTS	5
5.0	EVALUATION PHASE	5
6.0	STC PARTIES' ASSESSMENTS	5
7.0	IMPACT ON THE STC/STCPS	6
8.0	IMPACT ON CORE INDUSTRY DOCUMENTS	6
9.0	STC COMMITTEE VIEWS & RECOMMENDATION	6
10.0	IMPLEMENTATION AND TIMESCALES	7
11.0	VIEWS AND REPRESENTATIONS	8
	ANNEX 1 - AMENDMENT PROPOSAL FORM	10
	ANNEX 2 – PROPOSED TEXT TO MODIFY STC	12
	ANNEX 3 – COPIES OF COMMENTS RECEIVED ON THE PROPOSED AMENDMENT REPORT	13

1.0 SUMMARY AND RECOMMENDATION

- 1.1 STC Amendment Proposal CA038 proposes to introduce additional text into Section B Paragraph 6.1.2. This additional text will create interim arrangements to allow new Offshore Transmission Owners (OFTOs) to be represented on the STC Committee prior to exiting STC provision taking effect.
- 1.2 STC Amendment Proposal CA038 was proposed by NGET and submitted for consideration to the STC Committee meeting on 25th May 2010.
- 1.3 The STC Committee has discussed the Proposed Amendment CA038 and has recommended that it proceeds to the Assessment and Report Phase.

STC Committee Recommendation

- 1.4 The STC Committee provisionally recommends that STC Amendment Proposal CA038 to be approved for implementation.
- 1.5 Should the Authority approve STC Amendment Proposal CA038, it is provisionally recommended that the STC be modified 5 days after the Authority decision.

2.0 PURPOSE AND SCOPE OF THE REPORT

- 2.1 This Proposed Amendment Report has been prepared and issued by the STC Committee under the rules and procedures specified in the System Operator – Transmission Owner Code.
- 2.2 As a result of the proposed offshore transmission regime which went active on 24th June 2009, a new category of STC Party has been created, namely an Offshore Transmission Owner (OFTO). There are no OFTOs at the time of writing this proposed Amendment Report as no Offshore Transmission Licences have yet been granted by DECC. However, OFTOs are expected to accede to the STC in the next few weeks.
- 2.3 Further to the submission of Amendment Proposal CA038 (see Annex 1), this document is addressed and furnished to persons who have a relevant interest in the Proposed Amendment and invites views upon the Amendment Proposal CA038.
- 2.4 This document outlines the nature of the STC changes that are proposed and incorporates the provisional recommendations from each STC Party to the Authority concerning the Amendment.
- 2.5 This Proposed Amendment Report has been prepared in accordance with the terms of the STC. An electronic copy can be found on the National Grid website, at <http://www.nationalgrid.com/uk/Electricity/Codes/sotocode/>.

3.0 THE PROPOSED AMENDMENT

- 3.1 STC Amendment Proposal CA038 proposes to introduce additional text into Section B Paragraph 6.1.2. This additional text will create interim arrangements to allow new OFTOs to be represented on the STC Committee prior to existing STC provisions coming into effect.
- 3.2 Current arrangements within the STC set out a strict timetable for OFTOs to be elected to join the Committee. As OFTOs are expected to be announced in the coming weeks, and under the existing arrangements, there will be a period of time where OFTOs are STC Parties but will not be represented on the Committee. This proposal seeks to create interim arrangements which allow new OFTOs to be represented on the Committee outside of the existing timetable.

4.0 ALTERNATIVE AMENDMENTS

- 4.1 No Alternative Amendments to CA038 were submitted.

5.0 EVALUATION PHASE

- 5.1 At the meeting on 22nd June 2010, the STC Committee considered that it was not required for CA038 to go through the Evaluation phase as they were satisfied that the Proposed Amendment would not require extensive changes to existing procedures, or introduce significant new arrangements that required further investigation to determine wider impacts.

6.0 STC PARTIES' ASSESSMENTS

- 6.1 This section contains a summary of the views and representations made by STC Parties during the Assessment Phase in respect of the Proposed Amendments, in accordance with Section B, Paragraph 7.2.5.2 of the STC.

National Grid View

- 6.2 National Grid is supportive of Amendment Proposal CA038, and has carried out an Assessment of the Proposed Amendment.
- 6.3 The implementation of CA038 would not have any physical impact on National Grid's Transmission System or require changes to the IS Systems. No additional works or monies would be required to implement the proposed change.

Scottish Hydro-Electric Transmission Limited (SHETL) View

- 6.4 Scottish Hydro-Electric Transmission Limited (SHETL) is supportive of Amendment Proposal CA038, and has carried out an Assessment of the Proposed Amendment.
- 6.5 The implementation of CA038 would not have any physical impact on SHETL's Transmission System or require changes to the IS Systems. No additional works or monies would be required to implement the proposed change.

SP Transmission Limited (SPT) View

- 6.6 SPT is supportive of Amendment Proposal CA038, and have completed an Assessment on the Proposed Amendment.
- 6.7 The implementation of CA038 would not have any physical impact on SPT System(s) or require changes to IS systems. No additional works or monies would be required to implement the proposed change.

7.0 IMPACT ON THE STC/STCPs

- 7.1 The Proposed Amendment would require amendments to Section B, Paragraph 6.1.2 of the STC to create interim voting arrangements for OFTOs.
- 7.2 The text required to give effect to the Proposed Amendment is attached in Annex 2.

8.0 IMPACT ON CORE INDUSTRY DOCUMENTS

- 8.1 The Proposed Amendment would have no impact on Core Industry Documents or Industry documentation or require any changes to computer systems established under Core Industry Documents.

9.0 STC COMMITTEE VIEWS & RECOMMENDATION

- 9.1 With the creation of new STC Parties, Offshore Transmission Owners, it is vital that they are represented on the STC Committee. Current arrangements do not allow for this representation to occur prior to the next election cycle. The STC Committee agrees that there cannot be a period of time in which OFTOs have no representation on the Committee and believe that this amendment provides an adequate interim solution.
- 9.2 The STC Committee believes that amendment of the STC on the basis of CA038 would better facilitate achievement of the following applicable STC objectives detailed below:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;

Without representation of OFTOs, as a party to the STC, it cannot be ensured that the licence conditions are being discharged in the most efficient manner. By enabling OFTO representation on the STC Committee as soon as they accede to the STC, it will ensure the all Transmission Owners are involved in the efficient discharge of the above obligations.

- (b) development, maintenance and operation of an efficient, economical coordinated system of electricity transmission;

It would not be possible to consider any approach 'coordinated' without all Transmission Owners represented on the STC Committee. By enabling OFTO representation on the STC Committee as soon as they

accede to the STC, it will ensure a coordinated approach to the above obligations.

- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;

Without representation of OFTOs on the STC Committee any decisions made regarding the STC may impact offshore users in an uncompetitive manner. By enabling OFTO representation on the STC Committee as soon as they accede to the STC, it will ensure that any decisions made in regards to the STC will be able to fully consider the offshore impacts.

- (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;

In so far as without representation of all Transmission Owners it would not be possible to determine if any infringements on the protection of security and quality of supply, and safe operation of the national electricity transmission system exist; and

- (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;

In so far as it could not be considered good industry practice to allow a Transmission Owner to not be represented on the STC Committee once they have acceded to the STC.

9.3 The STC Committee believe that CA038 has a cost neutral environmental impact as it is purely an administrative process that is being proposed.

9.4 The STC Committee therefore provisionally recommends that the Authority should approve Amendment Proposal CA038 for implementation.

10.0 IMPLEMENTATION AND TIMESCALES

10.1 Should the Authority approve Amendment Proposal CA038, it is recommended that the STC be modified 5 business days after the Authority's decision.

11.0 VIEWS AND REPRESENTATIONS

- 11.1 Views have been invited from Industry parties upon the Proposed Amendment contained within this Proposed Amendment Report.
- 11.2 The STC Committee received four responses following the publication of the Proposed Amendment Report (version 0.2 of this document). The following table provides an overview of the representations, and copies of the representations are attached in Annex 3 of this document.

Reference	Company	Summary of Comments
CA038-AR-01	EDF Energy	<p>Agrees with the addition of the new text into Section B of the STC</p> <p>Agrees the proposals better facilitate STC Objectives (a), (b), (c), (d) and (e)</p> <p>Agrees that it is reasonable to have the STC modified 5 days following Ofgem's decision</p>
CA038-AR-02	Balfour Beatty Capital	Supportive of the changes outlined in the Amendment Proposal CA038
CA038-AR-03	Macquarie Capital	Supportive of changes but notes that as three OFTOs have been selected as part of the recent tender it may be prudent to allow all three to be appointed to the Committee
CA038-AR-04	Transmission Capital	<p>Supportive of the changes outlined</p> <p>Suggest that the text to be inserted into Section B is made clearer regarding whether 'Offshore Transmission Owners' refers to the collective or the single entity</p> <p>Suggest that further provisions are outlined for the selection of representatives during the interim period and the recourse should agreement not be possible</p>

- 11.3 The STC Committee have taken the above comments into consideration and below are comments regarding some of the more specific suggestions received in the responses to the consultation.
- 11.4 Under the current drafting of the STC, all Offshore Transmission Owners are collectively treated as one Transmission Owner however, are allowed two Party Representatives to attend the STC Committee meetings. Thus far, this arrangement has worked well in allowing each Transmission Owner to have adequate representation on the STC Committee and any changes in the representation of one party would have to be consistent across all parties. If a Transmission Owner deems it necessary to invite a third person, then in accordance with STC, Section B, Paragraph 6.5, that Transmission Owner would need to gain agreement from the other Parties, however, that third person would not have a voting right.

- 11.5 The STC Committee notes that the interim provisions for selecting OFTO Representatives have not been outlined as part of this Proposed Amendment. The STC Committee feel that it is not appropriate to prescribe the interim arrangements for selecting the interim OFTO Representatives as it was considered that the OFTOs would be best placed to determine what would work for them.

Annex 1 - Amendment Proposal Form**STC Amendment Proposal Form****CA038 v0.2**

<p>1. <u>Title of Amendment Proposal</u></p> <p>Transitional election arrangements for Offshore Transmission Owners.</p>
<p>2. <u>Description of the Proposed Amendment</u></p> <p>This amendment proposes to amend Paragraph 6 of Section B (Governance) to create a 'Transitional Period' in which Offshore Transmission Owners (OFTOs) are able to be represented on the STC Committee for the periods which Annex B1 of Section B cannot be enforced.</p>
<p>3. <u>Description of Issue or Defect that Proposed Amendment seeks to Address</u></p> <p>Currently OFTOs can only be elected to the STC committee by following a specific timetable set out in Annex B1 of Section B of the STC. However, this timetable does not align with the accession of new parties to the STC and as a result OFTOs could not be represented on the STC committee until 1st April 2011.</p>
<p>4. <u>Impact on the STC</u></p> <ul style="list-style-type: none"> ▪ Amendments to Section B, paragraph 6
<p>5. <u>Impact on other frameworks e.g. CUSC, BSC</u></p> <p>a. None</p>
<p>6. <u>Impact on Core Industry Documentation</u></p> <p>a. None</p>
<p>7. <u>Impact on Computer Systems and Processes used by STC Parties</u></p> <p>a. None</p>
<p>8. <u>Details of any Related Modifications to Other Industry Codes</u></p> <p>a. None</p>
<p>9. <u>Justification for Proposed Amendment with Reference to Applicable STC Objectives (mandatory field)</u></p> <p>Amending the STC in this manner would mean that the following objectives are better facilitated:</p> <ul style="list-style-type: none"> (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act; (b) development, maintenance and operation of an efficient, economical coordinated system of electricity transmission; (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent 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; and (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.

Details of Proposer Organisation's Name	National Grid Electricity Transmission plc
Capacity in which the Amendment is being proposed (i.e. STC Party or other Party as designated by the Authority pursuant to STC section B7.2.2.1 (b))	STC Party
Details of Proposer's Representative Name Organisation Telephone Number Email Address	Bec Thornton National Grid Electricity 01926 656386 Bec.Thornton@uk.ngrid.com
Details of Representative's Alternate Name Organisation Telephone Number Email Address	Kathryn Sorrell National Grid Electricity Transmission plc 01189 363161 Kathryn.Sorrell@uk.ngrid.com
Attachments (Yes/No): No	

Notes:

1. Those wishing to propose an Amendment to the STC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 7.2 of the STC.
2. The Committee Secretary will check that the form has been completed, in accordance with the requirements of the STC, prior to submitting it to the Committee. If the Committee Secretary accepts the Amendment Proposal form as complete, then she/he will write back to the Proposer informing them of the reference number for the Amendment Proposal and the date on which the Committee will consider the Proposal. If, in the opinion of the Committee Secretary, the form fails to provide the information required in the STC, then he/she may reject the Proposal. The Committee Secretary will inform the Proposer of the rejection and report the matter to the Committee at their next meeting. The Committee can reverse the Committee Secretary's decision and if this happens the Committee Secretary will inform the Proposer.

The completed form should be returned to:

Kabir Ali
STC Committee Secretary
Regulatory Frameworks
National Grid Company plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick, CV34 6DA

Or via e-mail to: STCTeam@uk.ngrid.com

Annex 2 – Proposed Text to modify STC

The proposed text to modify the STC can be found the below section:

1. Part of Section B

Section B Paragraph 6.1.2

6. THE COMMITTEE

6.1 Establishment and composition

6.1.1 The Parties shall establish a committee ("**Committee**") which shall be constituted in accordance with the further provisions of this paragraph 6.

6.1.2 Representatives of the Parties ("**Party Representatives**") shall be entitled to attend each meeting of the Committee ("**Committee Meeting**"). Such Party Representatives shall be appointed as follows:

- NGET may appoint not more than two persons by giving notice of such appointment to the Committee Secretary, and may remove and re-appoint by notice.
- Each Onshore Transmission Owner may appoint not more than two persons by giving notice of such appointment to the Committee Secretary, and may remove and re-appoint by notice.
- Prior to 31st March 2011, Offshore Transmission Owners may appoint not more than two persons for the period up to 31st March 2011 by jointly giving notice of such appointment to the Committee Secretary. Effective from 1st April 2011 and there after, Offshore Transmission Owners may appoint not more than two persons in accordance with Annex B1.

Annex 3 – Copies of Comments received on the Proposed Amendment Report

This Annex includes copies of the representations received following circulation of the Proposed Amendment Report (circulated on 27th July 2010, requesting comments by close of business on 11th August 2010).

Representations were received from the following parties:

No.	Company	File Number
1	EDF Energy	CA038-AR-01
2	Balfour Beatty Capital	CA038-AR-02
3	Macquarie Capital	CA038-AR-03
4	Transmission Capital	CA038-AR-04

No.	Company	File Number
1	EDF Energy	CA038-AR-01



Kabir Ali
National Grid

12 August 2010

Dear Kabir,

System Operator – Transmission Owner Code Consultation CA038 (Transitional Election Arrangements for Offshore Transmission Owners)

EDF Energy is pleased to respond to the consultation on STC change proposal CA038.

We note that STC Amendment Proposal CA038 proposes to introduce additional text into the STC to allow new Offshore Transmission Owners (OFTOs) to be represented on the STC Committee prior to the existing STC provision taking effect. We understand from the timetable set out in Annex B1 of Section B that the existing provisions do not allow OFTOs to be elected to the STC committee until 1 April 2011. We also note that the proposal is supported by National Grid and provisionally supported by the existing STC Committee.

We agree that allowing OFTO representation earlier than April 2011 will in most cases better facilitate all of the following STC objectives:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
- (b) development, maintenance and operation of an efficient, economical coordinated system of electricity transmission;
- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent 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; and
- (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.

We agree that the change does not need a long lead-in time and therefore should Ofgem approve the change it is reasonable that the STC can be modified 5 days after Ofgem's decision.

Yours Sincerely,

Paul Mott,
Senior Trading and Transmission Arrangements Adviser
Corporate Policy & Regulation
EDF Energy



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Victoria, London SW1X 7EN

No.	Company	File Number
2	Balfour Beatty Capital	CA038-AR-02

From: McLachlan, Sean [mailto:Sean.McLachlan@bbcap.co.uk]
Sent: Tuesday, August 03, 2010 10:15 AM
To: Ali, Kabir
Subject: Amendment Proposal CA038

Dear Kabir Ali,

Balfour Beatty Capital, acting as agent for Balfour Beatty Group Limited, is a Qualifying Bidder for within the OFTO Transitional round one tender process. Balfour Beatty Capital has reviewed the Amendment Proposal CA038 and is supportive of this proposed amendment.

We view the adoption of CA038 as a positive development as it would allow new OFTOs to be represented on the STC Committee prior to 1 April 2011.

Please feel free to contact me should you wish to discuss.

Kind regards,

Sean

Sean McLachlan
Senior Transaction Director
Asset Management

Balfour Beatty Capital

350 Euston Road, Regent's Place, London NW1 3AX T: 020 7121 3736 M: 07855 809 912 E: Sean.McLachlan@bbcap.co.uk



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No.	Company	File Number
3	Macquarie Capital	CA038-AR-03

From: Tara Davies (MacCap Advisers) [mailto:Tara.Davies@macquarie.com]
Sent: Wednesday, August 11, 2010 1:44 PM
To: Ali, Kabir
Subject: FW: Consultation on proposed STC amendment

Dear Kabir

Thank you for the opportunity to respond to the STC consultation amendment 'CA038 – Transitional election arrangements for Offshore Transmission Owners' dated 27 July 2010.

As a new OFTO, we support the establishment of transitional arrangements to enable OFTOs to participate in the STC Committee as soon as they are granted their transmission licences. We suggest, however, that as three OFTOs have been selected as a result of the recently-concluded tender process, it would be more appropriate for OFTOs to appoint 'not more than three persons' to the Committee (rather than 'not more than two persons') for the period up to 31 March 2011. This would not increase the OFTO membership significantly beyond that proposed in the amendment report and, assuming that all newly-appointed OFTOs wish to provide a member of the committee, it would provide all OFTOs with early direct experience of the STC Committee, thus putting OFTOs as a group in a more informed position to select representatives for the period from 1 April 2011.

Regards

Tara

Tara Courtney Davies
 Managing Director

Macquarie Capital (Europe) Limited
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No.	Company	File Number
4	Transmission Capital	CA038-AR-04



Kabir Ali
STC Committee Secretary
Regulatory Frameworks
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

5th August 2010

Dear Kabir

STC Proposed Amendment CA038 - Transitional Election Arrangements for Offshore Transmission Owners

We welcome the opportunity to take part in this consultation.

Transmission Capital Limited has been established to manage investment in electricity transmission assets. We have extensive onshore and offshore transmission experience gained over more than a decade of developing, procuring, constructing and operating electricity projects, including onshore and offshore transmission and wind projects. Initially we are focussed on the opportunity in the UK provided by the competitive arrangements recently introduced for the provision of offshore electricity transmission. With Transmission Capital as the lead partner, we have formed a consortium, Transmission Capital Partners, that has recently been appointed preferred bidder on three of the projects in the first transitional offshore transmission tender round.

We strongly support the principle of the proposed STC amendment CA038. We believe that it would be inappropriate even for a short period of time for a class of transmission licence holders to not be represented within the governance arrangements for a key industry code.

In terms of the drafting of the text, we believe there is some ambiguity as to whether "Offshore Transmission Owners" is a collective term for all OFTOs or it is referring to the singular entity. However, reading through Annex B1 we understand that it is referring to the collective. Perhaps the opportunity could be taken to make this clearer?

"Prior to 31st March 2011, Offshore Transmission Owners may appoint not more than two persons for the period up to 31st March 2011 by jointly giving notice of such appointment to the Committee Secretary. Effective from 1st April 2011 and thereafter, Offshore Transmission Owners may appoint not more than two persons in accordance with Annex B1."

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Our final point is that whilst Annex B1 describes a fairly complex and democratic process for selecting the two representatives. The presumption is that for this interim period the OFTOs are expected to collectively reach a decision as to who the two representatives should be? Whilst hopefully this should not be problematic, perhaps the preamble could be more explicit as to the requirement to reach agreement and also suggest the recourse should agreement not be possible.

We would welcome the opportunity to contribute further to the debate in this area. If you wish to discuss any of the points raised in the letter then please feel free to contact me.

Yours sincerely



Dr Chris Veal
Managing Director