

DCUSA Change Report		At what stage is this document in the process?
<h1 data-bbox="167 405 600 495">DCP 324</h1> <h2 data-bbox="167 533 1043 674">National Grid Legal Separation changes to the DCUSA</h2> <p data-bbox="167 689 544 725">Date Raised: 11 July 2018</p> <p data-bbox="167 745 576 781">Proposer Name: John Martin</p> <p data-bbox="167 801 951 837">Company Name: National Grid Electricity Transmission</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p><b>Purpose of Change Proposal:</b></p> <p>This Change Proposal seeks to modify the DCUSA to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited (NGET).</p>		
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 324 – National Grid Legal Separation changes to the DCUSA.</p> <p>Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by 10 September 2018.</p> <p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.</p>	
	<p>Impacted Parties: All Parties</p>	
	<p>Impacted Clauses: Clause 37 and Schedules 2B, 17, 18 and 22</p>	

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 **Any questions?**

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## Timetable

The timetable for the progression of the CP is as follows:

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	11 July 2018
Change Report Approved by Panel	15 August 2018
Change Report issued for Voting	17 August 2018
Party Voting Closes	10 September 2018
Change Declaration Issued to Parties	12 September 2018
Implementation date	01 April 2019 <sup>1</sup>

<sup>1</sup> Subject to the new NGENSO Licence being granted and effective on or before 01 April 2019.

## 1 Executive Summary

### What?

- 1.1 To amend the DCUSA to account for the legal separation of the system operator and transmission owner within National Grid Group on 01 April 2019. The DCUSA modification is to ensure that the correct obligations are on NGENSO following legal separation.

### Why?

- 1.2 Changes are required to NGET's existing licence required to implement legal separation; all system operator obligations will be transferred into a new transmission licence for the NGENSO and as such need to be reflected accordingly within the electricity codes. An update on the licence changes was provided by Ofgem in March 2018.

### How?

- 1.3 The proposed solution is to utilise the existing definition "National Electricity Transmission System Operator" for NGENSO post legal separation. Then to complete a number of entity changes that move the obligations to the "National Electricity Transmission System Operator" from NGET.
- 1.4 The only additional amendment is to Clause 37; which completes a drafting update to clarify that NGENSO will not be a party to the Smart Energy Code (SEC).
- 1.5 As part of legal separation NGENSO will also look to accede to the DCUSA and NGET will apply to cease being a DCUSA Party.

## 2 Governance

### Justification for a Part 2 Matter

- 2.1 The Proposer of this modification believed that the Change Proposal should be considered as a Part 1 matter as the Party responsible for the system operation will be amended and so may result in an impact on the following criteria:
  - It is likely to have a significant impact on competition in one or more of:
    - The generation of electricity;
    - The distribution of electricity;
    - The supply of electricity; and
    - Any commercial activities connected with the generation, distribution or supply of electricity.

2.2 However, after review by the DCUSA Panel, they believed that the Change Proposal should be treated as a Part 2 matter and does not require Authority determination. The Change Proposal should be considered as a housekeeping change and does not affect any of the materiality of the DCUSA.

## Requested Next Steps

2.3 The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 324.

2.4 The DCUSA Panel recommends that this CP:

- Be issued to Parties for Voting.

## 3 Why Change?

### Background of DCP 324

3.1 Following the joint statement titles “Statement on the future of Electricity System Operation” issued by BEIS, Ofgem and National Grid on 12 January 2017 and Ofgem industry update on Electricity System Operator (ESO) separation in March 2018, the obligations in the DCUSA will need to be modified to reflect the System Operator (SO) requirements transferring to NGENSO.

3.2 NGET and NGENSO will become separately licensed entities as a consequence of NGET partially transferring its existing licence (the System Operator elements only) to NGENSO under Section 7A Electricity Act 1989 and NGET will retain the Transmission Owner elements.

## 4 Solution

### DCP 324 Assessment

4.1 Due to the nature of this change, the drafting of the legal text was undertaken by the DCUSA legal advisors. The proposed solution is to utilise the existing definition “National Electricity Transmission System Operator” for NGENSO post legal separation. Then to complete a number of entity changes that move the obligations away from NGET to the “National Electricity Transmission System Operator”.

4.2 As part of legal separation, NGENSO will also look to accede to the DCUSA and NGET will apply to withdraw from the DCUSA and thus cease to be a Party to the DCUSA.

## 5 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. The CP form provided as Attachment 3, details which of the DCUSA Objectives the Proposer considers DCP 324 better facilitates.

DCUSA General Objectives	Identified impact
<input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input checked="" type="checkbox"/> 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	Positive
<input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	None
<input type="checkbox"/> 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

- 5.2 It is believed that DCUSA General Objective Two is better facilitated by DCP 324 as one of the identified reasons for the legal separation of the system operator and transmission owner within the National Grid Group is to enable a more competitive system.

- 5.3 This reason was set out in the document titled *'Future Arrangements for the Electricity System Operator: Response to Consultation on SO Separation'* which was published by Ofgem on 03 August 2017. Within this document, the following was stated:

*"In January 2017, BEIS, Ofgem and National Grid issued a joint statement<sup>2</sup> which stated that a more independent ESO can realise benefits for consumers by enabling a more secure, competitive and flexible system."*

<sup>2</sup> Statement on the future of Electricity System Operation:

[https://www.ofgem.gov.uk/system/files/docs/2017/01/statement\\_on\\_the\\_future\\_of\\_electricity\\_system\\_operation.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/01/statement_on_the_future_of_electricity_system_operation.pdf)

## 6 Impacts & Other Considerations

- 6.1 Although this modification proposal does not directly impact other industry codes, other proposed modifications to industry codes (Balancing and Settlement Code (BSC), Connection and Use of System Code (CUSC), Distribution Code, Grid Code, Security and Quality of Supply Standard (SQSS) and System Operator-Transmission Owner Code (STC)) are being raised in parallel to this modification proposal as a result of creating a legally separate system operator.

### Consumer Impacts

- 6.2 No consumer impacts have been identified.

### Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 6.3 No SCR impacts have been identified.

### Environmental Impacts

- 6.4 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 324 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

## 7 Implementation

- 7.1 This DCUSA Modification is required to take effect on 01 April 2019, being the date on which the ESO functions will transfer from NGET to NGESO. Therefore, the implementation date for DCP 324 is 01 April 2019.
- 7.2 For the avoidance of doubt, the implementation of this Change Proposal will only occur on 01 April 2019 if the new NGESO Licence has been granted and takes effect on or before 01 April 2019, In the event that the new NGESO Licence has not been granted and is not effective from 01 April 2019, then the implementation of this Change Proposal will occur on the date that the Licence takes effect.

## 8 Legal Text

- 8.1 Due to the nature of this change, the drafting of the legal text was undertaken by the DCUSA legal advisors. The proposed legal text is drafted to utilise the existing definition of “National Electricity Transmission System Operator” for NGESO post legal separation. Then to complete a number of entity changes that move the relevant SO obligations away from NGET to the “National Electricity Transmission System Operator”.
- 8.2 The only additional amendment is to Clause 37; which completes a drafting update to clarify that NGESO will not be a party to the SEC.
- 8.3 A copy of the legal text can be found as Attachment 1 and is set out below for reference:

**Amend Clause 37.1.6 as follows:**

37.1.6 that both the User (unless it is the OTSO Party) and the Company are party to the Smart Energy Code.

**Amend Schedule 2B (NTC) Section 3, Clause 1 as follows:**

"NETSO" means the holder, from time to time, of the NETSO Licence (~~which is currently National Grid Electricity Transmission plc~~);

**Amend Schedule 2B (NTC) Section 4, Clause 1 as follows:**

"NETSO" means the holder, from time to time, of the NETSO Licence (~~which is currently National Grid Electricity Transmission plc~~);

**Amend Schedule 17, Paragraph 9 as follows:**

In paragraph 9.2, replace "NGET" with "NETSO" on the two occasions the word "NGET" is used.

**Amend Schedule 18, Paragraph 9 as follows:**

In paragraph 9.2, replace "NGET" with "NETSO" on the two occasions the word "NGET" is used.

**Amend Schedule 22, Paragraphs 1.43 – 1.44A as follows:**

**National ~~Grid~~-Electricity Transmission System Operator (NETSONGET) Charges**

1.43 We have an obligation under the CUSC to discuss certain requests for connection or changes in connection with the NETSONGET. Such requests are typically for large electrical demand or generation projects. Under certain circumstances, as determined by the NETSONGET, they may apply charges to assess the potential impact on the GB Transmission System of a request or the combined effect of a number of requests and these will be included in the Connection Charge, or through a separate mechanism agreed between you and us.

1.44 Subsequent to such assessment, the NETSONGET may also require works to be undertaken on the GB Transmission System as a condition of the connection being permitted. In the event of the NETSONGET applying charges for these works, we will reflect these charges in our charges to you.

1.44A Should GB Transmission System works be required, the NETSONGET may apply a cancellation charge in the event that your project is cancelled or the capacity of your project reduces. The NETSONGET also calculates a secured amount in respect of this cancellation charge (being a percentage of the cancellation charge, which reduces at certain trigger points). We may ask you for security in respect of this cancellation charge, but we will not ask you for more than the secured amount calculated by the NETSONGET.

**Amend the following definition in Schedule 22, Section 2 as follows:**

<b><u>NGETNETSO</u></b>	<u>means the national electricity transmission system operator for Great Britain from time to time</u> <del>National Grid Electricity Transmission ple</del>
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## 9 Code Specific Matters

### Modelling Specification Documents

9.1 Not applicable.

### Reference Documents

- 9.2 <https://www.ofgem.gov.uk/publications-and-updates/industry-update-following-our-future-arrangements-electricity-system-operator-informal-consultation-eso-licence-drafting>
- 9.3 <https://www.ofgem.gov.uk/publications-and-updates/greater-separation-national-grid-s-system-operator-role>
- 9.4 <https://www.nationalgrid.com/uk/about-grid/our-role-industry/future-electricity-system-operator>

## 10 Recommendations

### Panel's Recommendation

- 10.1 The Panel approved this Change Report on 15 August 2018. The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 324.
- 10.2 The Panel have recommended that this report is issued for Voting and DCUSA Parties should consider whether they wish to submit views regarding this Change Proposal. The voting form for DCP 324 acts as Attachment 2.

## 11 Attachments

- Attachment 1 – DCP 324 Legal Text
- Attachment 2 – DCP 324 Voting Form
- Attachment 3 – DCP 324 Change Proposal Form