

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1 data-bbox="159 403 606 492">DCP 324:</h1> <h2 data-bbox="159 526 1037 672">National Grid Legal Separation changes to the DCUSA</h2> <p data-bbox="156 750 534 795">Date Raised: 11 July 2018</p> <p data-bbox="156 817 470 862">Proposer: John Martin</p> <p data-bbox="156 884 845 929">Company: National Grid Electricity Transmission</p> <p data-bbox="156 940 478 985">Party Category: OTSO</p>		<div data-bbox="1109 392 1420 459" style="background-color: #008000; color: white; padding: 2px;">01 – Change Proposal</div> <div data-bbox="1109 470 1420 548" style="padding: 2px;">02 – Consultation</div> <div data-bbox="1109 560 1420 638" style="padding: 2px;">03 – Change Report</div> <div data-bbox="1109 649 1420 739" style="padding: 2px;">04 – Change Declaration</div>
<p data-bbox="156 1019 574 1064">Purpose of Change Proposal:</p> <p data-bbox="156 1075 1324 1198">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 data-bbox="255 1220 438 1265">Governance:</p> <p data-bbox="255 1276 1348 1400">We anticipate that once the Initial Assessment of the Change Proposal is approved by the DCUSA Panel, it can proceed directly to the Change Report stage.</p> <p data-bbox="255 1411 1181 1444">The Proposer recommends that this Change Proposal should be:</p> <ul data-bbox="279 1456 869 1612" style="list-style-type: none"> • Treated as a Part 1 Matter • Treated as a Standard Change • Proceed to the Change Report phase <p data-bbox="255 1624 1316 1702">The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p data-bbox="255 1736 702 1780">Impacted Parties: National Grid</p>	
	<p data-bbox="255 1848 1157 1892">Impacted Clauses: Clause 37 and Schedules 2B, 17, 18 and 22</p>	

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Indicative Timeline		
The Secretariat recommends the following timetable:		
Initial Assessment Report	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 Authority	12 September 2018	
Authority Decision	17 October 2018	

 Any questions?

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1 Summary

What?

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 NGESO following legal separation.

Why?

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 NGESO 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?

The proposed solution is to utilise the existing definition "National Electricity Transmission System Operator" for NGESO post legal separation. Then to complete a number of entity changes that move the obligations to the "National Electricity Transmission System Operator" from NGET.

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.

As part of legal separation NGESO will also look to accede to the DCUSA and NGET will apply to cease being a DCUSA Party.

2 Governance

Justification for Part 1 and Part 2 Matter

This Modification should be considered as a Part 1 matter as the Party responsible for system operation will be amended and so may result in an impact on the following criteria:

- b) it is likely to have a significant impact on competition in one or more of:
 - i. the generation of electricity;
 - ii. the distribution of electricity;
 - iii. the supply of electricity; and
 - iv. any commercial activities connected with the generation, distribution or supply of electricity;

Requested Next Steps

This Change Proposal should:

- Be treated as a Part 1 Matter
- Be treated as a Standard Change

- Proceed to the Change Report phase

Based on the licence discussions that we have had with Ofgem, they have indicatively highlighted that they are looking for the legal separation code changes to be with them for decision by October 2018, so that they all in place ready for go live on 1 April 2019.

3 Why Change?

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

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

Part B: Code Specific Details

N/A

4 Solution and Legal Text

Legal Text

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:

NETSONGET	means the national electricity transmission system <u>operator for Great Britain from time to time</u> National Grid Electricity Transmission plc
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Legal Text Commentary

The majority of the proposed legal text changes are entity changes that utilise the existing “National Electricity Transmission System Operator” and “National Electricity System Operator Licence” definitions, so that at legal separation, the relevant SO obligations move from ‘NGET’ to ‘NETSO’.

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.

5 Code Specific Matters

Reference Documents

[March 2018 – Ofgem ‘Industry update following our Future Arrangements for the Electricity System Operator: Informal Consultation on ESO Licence Drafting’](#)

6 Relevant Objectives

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

DCUSA General Objective Two is better facilitated by this Change Proposal 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. 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 statement¹ which stated that a more independent ESO can realise benefits for consumers by enabling a more secure, competitive and flexible system.”

¹ 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

7 Impacts & Other Considerations

Although this modification proposal does not directly impact other industry codes, other proposed modifications to industry codes (BSC, CUSC, Distribution Code, Grid Code, SQSS and STC) are being raised in parallel to this modification proposal as a result of creating a legally separate system operator.

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

N/A

Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

Consideration of Wider Industry Impacts

N/A

Confidentiality

N/A

8 Implementation

This DCUSA Modification is required to take effect on 1 April 2019, being the date on which the ESO functions will transfer from NGET to NGESO. This Modification is therefore proposed for release on 1 April 2019.

Proposed Implementation Date

1 April 2019

9 Attachments

Attachment 1 – DCP 324 Legal Text

10 Recommendations