STCP Modification Proposal Form (System Operator – Transmission Owner Code)

PM099: STCP13-2

Creation of a Common SIF and LARF Methodology

01 Initial STCP Modification Proposal Form

Purpose of Modification: This proposal seeks to establish a common methodology for TOs to calculate Local Asset Reuse Factor (LARF) and Secured Capability (required to calculate Strategic Investment Factor (SIF)) and in doing this will create a new STCP (STCP13-2) following on from STCP13-1 'Invoicing and Payment'.

	The Proposer recommends that this modification should be: Approved at the February 2018 STC Panel meeting (28 February 2018)
	High Impact: None identified.
	Medium Impact: None identified.
	Low Impact: TOs will be required to update their methodologies and provide data on an ongoing basis. From initial discussions with the TOs this is likely to be low impact. The methodology will be relevant to OFTOs where these are appointed ahead of construction. At present this is minimal.

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Any questions?

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Timetable

The Code Administrator recommends the following timetable:

Proposal Form Submitted to Code Administrator for review	20 February 2018
Proposal form submitted to STC Panel Secretary	20 February 2018
STCP's are presented and approved by the Panel	28 February 2018
Sign off	By 9 March 2018
Implementation	By 9 March 2018

Impact on Core Industry Documentation.

Please mark the relevant boxes with an "x" and provide any supporting information

BSC	
Grid Code	
CUSC	X
Other	

The requirement for SIF and LARF comes from section 15 of CUSC – User Commitment Methodology. This proposal is intended to be entirely consistent with CUSC and no resulting CUSC modifications are required.

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1 Summary

Defect

CUSC section 15 – User Commitment requires the calculation of SIF and LARF when calculating Users Securities and Liabilities. For National Grid as SO to calculate these, the LARF and Secured Capability (required to calculate SIF) are required from the respective TO. At present there is no formal common methodology to calculate this and there is concern that there may be differences between each TO leading to inconsistent application to Users and potential unintended discrimination.

What

A common methodology should be agreed by the TOs and codified as a new STCP.

Why

Codification will ensure both transparency and common application of the methodology. This will reduce the risk of differences across each TO and of potential discrimination to Users.

How

Prior to submission a series of Workshops were held between NGESO, NGETO, SPT and SHET to develop a common methodology. Further detail of these discussions is given below. It is proposed to codify this in a new STCP.

All parties involved in the workshops were supportive of these proposals which were also highlighted at subsequent STC panel meetings and concluded in the submission of a draft proposal to the Nov 2017 STC Panel for discussion and comment.

The final proposal as presented here has taken on board all comments received.

2 Governance

Section B 7.3 states amendments for an STCP need approval from the STC Modification Panel. The Proposer recommends that, having already been discussed at the November 2017 STC Panel meeting, this final proposal should now be approved and implemented at the February 2018 STC Panel meeting (28 February 2018).

3 Why Change?

Concern was raised by SHET that there may be variations in how each TO is calculating LARF and Secured Capability. This in turn may lead to Users in each TO area being treated differently in terms of their for securities and liabilities which is potentially discriminatory. There is broad agreement from all the TOs to remedy this

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situation by creating a common methodology through the creation of a new STC Procedure.

4 Impacts & Other Considerations

The impact will fall on each TO and potentially Users of CUSC.

TOs: Each TO has indicated that it is able to modify its processes relatively simply to implement the common methodology. As such the impact is considered low.

CUSC Users: Where the adoption of the common methodology represents a change to the methodology for a TO, then this would represent a change in the securities or liabilities for a User. In CUSC a User may fix their Attributable liabilities, or maintain Actual. Once a User fixes it can't be changed, so any User which has already fixed will be unaffected. Only Users who have not fixed or Users for new schemes may be affected. Each TO has been asked to provide a materiality assessment for the change in its area.

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

None identified.

Consumer Impacts

Consumers will only be impacted where liabilities materialise from a terminated connection Offer and where the common methodology has changed these liabilities. It is believed that the common methodology will raise liabilities, so this will benefit consumers, but the materiality is considered small.

STC Parties' Assessments

A working group was established to review this issue and develop proposals. The working group consisted of National Grid (SO & TO), SHET & SPT. At the request of the group, NG TO presented a proposal which was then developed by the group.

National Grid (SO)

The SO is supportive of these proposals which will result in the required information being provided to the SO in a uniform manner.

National Grid (TO)

The proposal is based on a methodology developed and already implemented by NG TO.

Offshore Transmission Owners (OFTOs)

The proposals will affect any existing TOs with existing assets, where new parties wish to connect. To date the construction of OFTO assets has been developer led with

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OFTOs being appointed on completion. In this model, OFTOs are not currently impacted by this. However, this STCP does apply to OFTOs and as the market develops it has the increased potential to apply to them. As there was no current impact, OFTOs were not included in the initial working group.

Scottish Hydro Electric Transmission plc (SHET)

SHET have been part of the working group set up to develop the proposals. Current drafting is based on comments received from all parties, including SHET as part of this process.

SP Transmission Limited (SPT)

SPT have been part of the working group set up to develop the proposals. Current drafting is based on comments received from all parties, including SPT as part of this process.

Impact on STC/STCPs

The impact on the STC/STCP is a proposed new STCP which ahs been drafted and circulated along with this proposal form.

Relevant Objectives

Impact of the modification on the STC Applicable Objectives and STCP Assessment Criteria:	
Relevant STC Objective	Identified impact
(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	Positive
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	Positive
(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	None
(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	None

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licensees	
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	Positive
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	None
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	None

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In addition for an STCP Change, Section B 7.3.2 details that the following should be considered:

Provision	View of the Proposer
the amendment or addition does not impair, frustrate or invalidate the provisions of the Code	Agree
the amendment or addition does not impose new obligations or liabilities or restrictions of a material nature on Relevant Parties which are not subsidiary to the rights and obligations of the Relevant Parties under the Code	Agree
the amendment or addition is not inconsistent or in conflict with the Code, Transmission Licence Conditions or other relevant statutory requirements	Agree
the Relevant Party Representatives deem that the amendment or addition is appropriate to support compliance with the Code	Agree

The Proposer believes that this change will better facilitate relevant objective(s) A & E and Section B 7.3.2 is satisfied by ensuring that good industry practice provides a consistent methodology and results in the more efficient application of the SIF & LARF factors. This will promote the efficient development of the system and optimum investment in assets

5 Solution

A new STCP is proposed which will be STCP13-2 'Common SIF & LARF Methodology' and will follow on in sequence from STCP13-1 'Invoicing and Payment'. This is presented in the appendix to this paper.

6 Implementation

The new STCP13-2 would be implemented following the approval by the STC Panel.

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7 Legal Text

Please refer to the appendix for the new STCP13-2.

8 Recommendation

Approve that a new STCP is introduced.

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