

Modification	At what stage is this document in the process?
<h1 data-bbox="102 344 1086 488">DCRP/18/10: Final Modification Report</h1> <h2 data-bbox="102 510 1031 640">National Grid Legal Separation changes to the Distribution Code</h2>	<div data-bbox="1177 331 1449 658"> <div data-bbox="1177 331 1254 405">01</div> <div data-bbox="1254 331 1449 405">Modification</div> <div data-bbox="1177 416 1254 490">02</div> <div data-bbox="1254 416 1449 490">DCRP report</div> <div data-bbox="1177 501 1254 575">03</div> <div data-bbox="1254 501 1449 575">Public Consultation</div> <div data-bbox="1177 586 1254 660">04</div> <div data-bbox="1254 586 1449 660">Final Modification Report</div> </div>
<p data-bbox="102 763 1430 1032">The purpose of this document is to assist the Authority in its decision to implement the proposed modifications to the Distribution Code (DCode) to reflect the creation of a new National Grid Electricity System Operator Limited (NGESO) that is legally separated from National Grid Electricity Transmission plc (NGET). The proposed modifications were subject to industry consultation in 2018. Responses from the consultation and subsequent discussion by the DCRP show that DCode stakeholders were accepting of these modifications.</p> <p data-bbox="102 1099 628 1133"><b>Date of publication: 08 February 2019</b></p>	
<h3 data-bbox="102 1178 373 1211">Recommendation</h3> <p data-bbox="102 1245 1430 1469">The Distribution Licensees and the Distribution Code Review Panel (DCRP) recommends that the proposed modifications are made to the Distribution Code and the Constitution and Rules of the Distribution Code Review Panel of GB to reflect the creation of a new National Grid Electricity System Operator Limited (NGESO) that is legally separated from National Grid Electricity Transmission plc (NGET) with the roles clearly defined for each.</p>	
	<p data-bbox="225 1507 951 1592">The DNOs recommend that this modification should be: Submitted to the Authority for approval</p>
	<p data-bbox="225 1641 392 1727">High Impact: None</p>
	<p data-bbox="225 1765 437 1850">Medium Impact: None</p>
	<p data-bbox="225 1888 762 1973">Low Impact: All Users of the DCode, DCode Administrator</p>

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Document Control			
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1.0	07 Feb 2019	VH	
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Timetable			
Workgroup Report presented to Panel	6 <sup>th</sup> December 2018		
Draft Modification Report issued for consultation	9 <sup>th</sup> October 2018		
Consultation Closed	29 <sup>th</sup> October 2018		
Final Modification Report available for Panel	7 <sup>th</sup> February 2019		
Final Modification Report submitted to Authority	12 <sup>th</sup> February 2018		

## 1 Purpose of the Modification

On April 1st 2019 National Grid Electricity Transmission plc 'NGC' is set to be legally separated into two independent legal entities; National Grid Electricity System Operator Limited (NGESO), and National Grid Electricity Transmission plc (NGET), which are set to become the system operator and transmission owner respectively.

The purpose of the modification is to update the DCode to reflect the creation of a new entity, National Grid Electricity System Operator Limited (NGESO) that is legally separated from National Grid Electricity Transmission plc (NGET) and to ensure the system operator and transmission owner obligations are clear.

The interested parties are Distribution Network Operators and all parties who currently interact with NGET.

## 2 Details of the Proposal

The proposal involves the modification of the DCode and the Constitution and Rules of the Distribution Code Review Panel of GB with the following proposed changes:

### DCode Amendments

To reflect the legal separation of the National Grid Transmission plc 'NGC' into the constituent transmission owner and system operator entities, it is proposed to redefine the existing definition of 'NGC' to 'NGET' which will retain the transmission owner role post legal separation and to create a new definition 'NGESO' for the role of the system operator business. The DCode references to 'NGC' will be edited throughout the DCode text to either 'NGET' or 'NGESO' as applicable in the relevant clauses of the DCode.

The proposed defined terms for the 'Offshore Transmission System Operator', 'Offshore Transmission Licensee' and the 'Onshore Transmission Licenses' have been highlighted in this modification report to provide a view of the high level approach being taken in the DCode.

<b>Offshore Transmission System Operator (OTSO)</b>	The <b>NGESO</b> acting as operator of an <b>Offshore Transmission System</b> .
<b>Offshore Transmission Licensee</b>	The holder of a licence granted under Section 6 (1)(b) of the <b>Act</b> excluding <b>NGET</b> , <b>NGESO</b> , <b>SPT</b> and <b>SHETL</b> .
<b>Onshore Transmission Licensees</b>	<b>NGET</b> , <b>SHETL</b> and <b>SPT</b>

## Constitution and Rules of the DCode Review Panel:

The Constitution and Rules of the Distribution Code Review Panel of GB will require the role of 'NETSO' to be amended to 'NGESO'.

### 3 Governance

#### Requested Next Steps

This modification should:

- be subject to Report to Authority

### 4 Why Change?

The specific references have been updated in order to ensure the system operator and transmission owner obligations are clear.

### 5 Code Specific Matters

#### Technical Skillsets

N/A

#### Reference Documents

Draft legal text as set out in Appendix 1 and Appendix 2

- Appendix 1: Draft GB Distribution Code v37 01 April 2019
- Appendix 2: Draft GB Distribution Code Constitution and Rules 01 April 2019

### 6 Impacts & Other Considerations

#### Other Codes

Although this modification proposal does not directly impact other industry codes, other modifications to industry codes (BSC, CUSC, DCUSA, 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 modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No

#### Does this modification impact Users of DNOs' Systems?

No

#### Environmental Impact Assessment

There are no environmental impacts associated with this proposed modification.

## 7 Assessment against Distribution Code Objectives

*(i) To permit the development, maintenance and operation of an efficient, coordinated and economical system for the distribution of electricity;*

The proposal has a neutral impact on this objective.

*(ii) To facilitate competition in the generation and supply of electricity*

The proposal has a neutral impact on this objective.

*(iii) Efficiently discharge the obligations imposed upon DNOs by the Distribution Licence and comply with the Regulation (where Regulation has the meaning defined in the Distribution Licence) and any relevant legally binding decision of the European Commission and/or Agency for the Co-operation of Energy Regulators.*

The proposal has a neutral impact on this objective.

*(iv) Promote efficiency in the implementation and administration of the Distribution Code.*

The proposal has a neutral impact on this objective. Although there is administrative burden on the DCode administrator and DCRP in processing these types of changes, it would also be inefficient to have formal legal text in published documents which references or points to an organisation no longer in existence. Correcting this will avoid misunderstandings by all parties.

## 8 Implementation

The proposed modification would be implemented on 1st April 2018.

The DCode Code Administrator will take a pragmatic approach with National Grid to ensure the administrative burden of the change is minimised.

Appendix 1, The draft of the new version (v37) of the DCode submitted, has taken the current version 36 of the DCode and tracked changes to show the material changes to the DCode text and content.

If or when the change is accepted by the Authority, the extensive hyperlinking aspect (which has no materiality to the content or rules of the code, just the administration) will be completed in the published version of the DCode.

Additionally, if other modification proposals are approved before the implementation of this modification proposal; and result in change to the current version 36 of the DCode, the tracked changes will be applied to the version of the DCode that is current on the proposed implementation date.

There are no costs attributed to Users as a result of this proposed modification.

## 9 Consultation

The Distribution Code public consultation sought views from industry stakeholders on the modification to both the 'DCode' and the 'Constitution and Rules of the Distribution Code

Review Panel of GB'. It was published on the 18 September 2018 with a deadline for responses by 2 October 2018. There was one response to the consultation which is attached to the Final Modification Report (Appendix 3).

## 10 Legal Text

Legal text for the changes proposed to both the Distribution Code (Appendix 1) and the Constitution and Rules of the Distribution Code Review Panel of GB (Appendix 2) have been provided as an appendix of this Modification Proposal.

## 11 Distribution Code Review Panel Discussion

At the DCode Panel meeting on 6 December 2018, the Panel members discussed the modification and reviewed one response (Appendix 3).

The Panel requested an update from the Proposer on the consultation response feedback, which is provided below:

- From a Proposer's perspective, we viewed the text that was submitted as our preferred option to be sent to Ofgem. On the basis that the continued use of 'NGC' could still lead to a level of confusion between the National Grid System Operator and Transmission Owner roles for industry parties when reviewing the DCode.
- Also, that we felt like the future administration of the document should not be that significant, this view was supported by the DCode Code Administrator representative at the Panel. The National Grid representative at the Panel, also highlighted that National Grid will work with the DCode administrator to minimise the work involved with the proposed implementation.

The DCRP were not in favour of the modification but accepted if the Code Administrator was able to work with National Grid to alleviate the administrative burden of the change, they would accept this change to go for approval to the Authority.

The DCRP was not in favour of accepting the consultation response, although the Code Administrator will reinstate the hyperlinks to make the document more manageable in the future.

## 12 Recommendation

The Licenced Distribution Network Operators recommend that this modification report should;

- be submitted to the Authority for approval; and
- subject to the agreement of the Authority the modification should be implemented from the date the revised Distribution Code is published. This date is recommended as 1<sup>st</sup> April 2019.

## 13 Appendices

Appendix 1      Draft GB Distribution Code v37 01 April 2019

- Appendix 2 Draft Constitution and Rules of the Distribution Code Review Panel of GB 01  
April 2019
- Appendix 3 DCRP/18/10 - DCode Public Consultation NG Legal Separation responses