

EXPLANATORY MEMORANDUM TO
THE CENTRAL RATING LIST (ENGLAND) (AMENDMENT) REGULATIONS 2019
2019 No. 395

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 The National Grid electricity network for England is assessed for business rates on a central rating list held by the Secretary of State. Regulations prescribe the contents of the central rating list. From 1 April 2019 the system operator function of National Grid, which is currently part of the central list assessment, will be split into a separate company. These Regulations ensure that the central list assessment will be unaffected by this split until the next revaluation.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is England and Wales.
4.2 The territorial application of this instrument is England.

5. European Convention on Human Rights

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

- 6.1 Most non-domestic hereditaments¹ in England appear on the local rating list for the local authority area in which they are situated and rates are paid to that local authority. However, some hereditaments appear on the central non-domestic rating list compiled and maintained under section 52 of the Local Government Finance Act 1988 (“the central list”) and rates are paid to the Secretary of State for Housing, Communities and Local Government. These hereditaments include the electricity distribution and

¹ A hereditament is the unit of property which is the subject of rating. The statutory definition can be found in section 64 of the Local Government Finance Act 1988.

transmission networks. The Central Rating List (England) Regulations 2005 (S.I. 2005/551) (“the Central Rating List Regulations”), which are made under section 53 of that Act, prescribe those hereditaments which must appear on the central list rather than a local list and designate the person who occupies or owns the hereditament for the purposes of rating.

- 6.2 Under regulation 1(3)(c) of the Central Rating List Regulations, a reference in those Regulations to a designated person by name is, unless the context otherwise requires, a reference to the company or body registered by or bearing that name on 1st October 2004. The National Grid Company plc is currently designated in Part 7 of the Central Rating List Regulations in respect of its electricity transmission hereditament although since 1 October 2004 that company has changed its name to National Grid Electricity Transmission plc.
- 6.3 From 1 April 2019 the system operator functions of National Grid, which include balancing the electricity grid second by second, will be split from the transmission functions and will start operating as a separate company called National Grid Electricity System Operator Limited. These Regulations will ensure that, until the compilation of the next central rating list, the designated person in respect of the electricity transmission central list assessment will include both National Grid Electricity Transmission plc and National Grid Electricity System Operator Limited.

7. Policy background

What is being done and why?

- 7.1 In order to allow for the greater independence of the system operator function of National Grid, Ofgem decided in 2017 that from 1 April 2019 a legally separate Electricity System Operator should be established within the National Grid Group². Accordingly, on 1 April 2019 the system operator functions of the electricity grid will transfer from National Grid Electricity Transmission plc to a new company called National Grid Electricity System Operator Limited.
- 7.2 The current rateable value assessment for the National Grid transmission network was prepared for the current 2017 rating list reflecting the circumstances at the valuation date of 1 April 2015. The current valuation therefore reflects both the transmission and system operator functions of National Grid.
- 7.3 To remove the system operator functions from the National Grid rateable value, the Valuation Office Agency (VOA) will have to undertake a fresh valuation of the transmission business only. Completing such a valuation on the current 2017 rating list would require the VOA to value National Grid looking back at the valuation date of 1 April 2015 on the assumption that at that time it did not include the system operator functions. This would be challenging and create uncertainty over the National Grid valuation.
- 7.4 Therefore, in order to maintain stability in the current rating valuation, the Government has agreed with Ofgem and National Grid that, for the purposes of business rates, the separation of the system operator will take effect from the date of the next general revaluation of all properties. Until then the central list assessment for

² <https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-response-consultation-so-separation>

the electricity transmission network will continue to include both the transmission and system operator businesses.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 Although the Central Rating List Regulations have been amended on a few occasions, in the most part they remain unchanged and generally are used by only a small number of practitioners advising those companies designated on the central list. The Department does not, therefore, intend to consolidate them.

10. Consultation outcome

10.1 The text of the amendment made by these Regulations has been agreed with Ofgem and National Grid.

11. Guidance

11.1 No guidance has been issued as these Regulations affect only National Grid and do not change the rest of the rating system.

12. Impact

12.1 The impact on business, charities or voluntary bodies is that National Grid Electricity Transmission plc and National Grid Electricity System Operator Limited will be assessed for business rates as one designated person on the central rating list until the next revaluation. Rateable values, including those on the central rating list, are made independently of Ministers by the VOA.

12.2 There is no impact on the public sector.

12.3 An impact assessment has not been produced for this instrument because it amends an existing local tax regime. Publication of a full impact assessment is not necessary for such legislation.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The Government will continue to keep the non-domestic rating system under review. The consultation document Business Rates Retention Reform published in December 2018³ has, at section 3.2 invited views on what properties should be assessed on the central rating list. The consultation closed on 21 February 2019 and the Government is currently considering responses.

³ <https://www.gov.uk/government/consultations/business-rates-retention-reform>

15. Contact

- 15.1 Nick Cooper at the Ministry of Housing, Communities and Local Government Telephone: 07458 090955 or email: nick.cooper@communities.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Chris Megainey, Deputy Director for Local Taxation, at the Ministry of Housing, Communities and Local Government can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Rishi Sunak, Parliamentary Under Secretary of State at the Ministry of Housing, Communities and Local Government can confirm that this Explanatory Memorandum meets the required standard.