

Annex E – NGESO licence conditions assessment

This Annex sets out all of the conditions that are currently in NGESO’s Electricity Transmission licence. We have reviewed these conditions and categorised them as follows:

- the condition is appropriate as the basis for obligations on the FSO;
- the condition is not required for the FSO; or
- whether or not the condition is required for the FSO will need to be assessed when we are considering the financial provisions for the FSO later this year.

We have also set out the reason for our assessment in the final column of the table.

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ESO Condition Reference	FSO licence condition reference	Needed by FSO	Reason for including/not including in the FSO's licence
Definitions and Interpretation Standard Licence Condition (StLC) A1	Definitions, A1 Interpretation, A2	Yes	These conditions are required in FSO licence, with consideration given to those definitions and interpretation clauses that may no longer be applicable, and what new content may be required for the FSO.
Application of Section C StLC A2	N/A	No	We believe this condition is irrelevant in the FSO licence structure.
Application of Section D StLC A3	N/A	No	Section D not applicable to ESO, so we believe this is irrelevant for the FSO.
Payments by Licensee to the Authority StLC A4	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Application of Section B StLC A5	N/A	No	We believe this condition is irrelevant in the FSO licence structure.
Application of Section E StLC A6	N/A	No	We believe this condition is irrelevant in the FSO licence structure.
Offshore Transmission Implementation StLC A7	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO
Regulatory Accounts StLC B1	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Not Used StLC B2	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO.

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Disposal of relevant assets and restrictions on charges over receivables StLC B3	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Provision of information to the Authority StLC B4	Provision of Information to the Authority, D3	Yes	The FSO will retain the NGESO's reporting requirements, therefore we believe this should be retained for the FSO.
Prohibition of Cross-subsidies StLC B5	Prohibition of Cross Subsidies, B5	Yes	There will be continued need to regulate cross-subsidies for the FSO, therefore we believe this should be retained for the FSO.
Restriction on Activity and Financial Ring Fencing StLC B6	Restriction on Activity and Financial Ringfencing, B2	Yes	FSO will need ringfencing of roles and provision on financial activity. Both elements will need to be adapted for FSO licence.
Availability of Resources StLC B7	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Undertaking from ultimate controller StLC B8	N/A	No	As shareholder, HMG will be the Ultimate Controller and so putting controls on interaction is unnecessary, and therefore this condition is not required for the FSO.
Indebtedness StLC B9	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.

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Credit rating of the licensee and related obligations StLC B10	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Security arrangements StLC B11	Security Arrangements, E6	Yes	Fuel Security Code has a role for the ESO that the FSO will take on, we therefore believe this condition is required for FSO.
System Operator – Transmission Owner Code StLC B12	System Operator – Transmission Owner Code, E4	Yes	FSO will be the electricity system operator and continue to comply with the System Operator – Transmission Owner Code, we therefore believe this condition is required for FSO.
BETTA implementation StLC B13	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO.
BETTA run-off arrangements scheme StLC B14	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO.
Regulatory Instructions and Guidance (RIGs) StLC B15	Regulatory Instructions and Guidance, D6	Yes	Ofgem will continue to need to set RIGs to set out templates and guidance for the FSO to submit price control information, we therefore believe this condition is required for FSO.
Electricity Network Innovation Strategy StLC B16	Electricity Network Innovation Strategy, C14	Yes	FSO will also participate in Network Innovation with other licensees therefore we believe this condition is required for FSO.

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Not Used StLC B17	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO.
Offshore Transmission Owner of Last Resort StLC B18	N/A	No	The ESO's role in the OFTO of last resort is funding related, rather than being able to be appointed as an OFTO of last resort. We believe this condition is not required for the FSO for that reason.
Connect and manage implementation StLC B19	N/A	No	The condition states that it will cease to have effect after the end of the connect and manage implementation period, which has passed so our understanding is that the condition is not required for the FSO.
Regional Cooperation StLC B20	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO.
Notification of changes that may affect eligibility for certification StLC B21	Notification of Changes that may affect Eligibility for Certification, B7	Yes	We believe that this condition should be retained for the FSO in case a scenario arises where the FSO needs to be recertified.
Requirement for sufficiently independent directors StLC B22	Independence requirements and compliance obligations, B1 (part B)	Yes	These requirements will continue to be important for FSO but have been significantly amended to be more appropriate for the FSO.

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Data Assurance Requirements StLC B23	Data Assurance Requirements, D5	Yes	FSO will have data assurance requirements like the other networks, so we propose this should be moved to the FSO licence.
Housekeeping StLC B24	Housekeeping Licence Modifications, A3	Yes	We believe there is need to set out the housekeeping licence modifications process in the FSO licences.
Interpretation of Section C StLC C1	Definitions A1, Interpretation, A2	Yes	This has been consolidated with other definitions and interpretations conditions in the ESO's licence into the single definitions and interpretations conditions in the FSO's ESO licence.
Prohibited activities StLC C2	N/A	No	We believe this is no longer required given the new business conduct and independence provisions in the FSO's licence.
Balancing and Settlement Code (BSC) StLC C3	Balancing and Settlement Code (BSC), E1	Yes	We believe moving this condition to the FSO's licence, but modifying this condition according to the Elexon ownership policy decisions is required for the FSO's licence.
Charges for use of system StLC C4	Use of System Charging and Methodology, E10 Part A: Use of System Charges	Yes	FSO will continue NGESO's responsibility prepare use of system charging methodologies, therefore we believe this condition should be moved to the FSO's licence.

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Use of system charging methodology StLC C5	Use of System Charging and Methodology, E10 Part B: Use of System Charging Methodology	Yes	FSO will continue NGESO's responsibility to prepare use of system charging methodologies, therefore we believe this condition should be moved to the FSO's licence.
Use of system charging requirements under the Electricity Directive StLC C5A	Use of System Charging and Methodology, E10 Part C: Use of System Charging Requirements under the Electricity Directive	Yes	FSO will continue NGESO's responsibility of publishing transmission charging statements, therefore we believe this condition should be moved to the FSO's licence.
Connection charging methodology StLC C6	Connection Charging Methodology, E11	Yes	FSO will continue NGESO's responsibility for connections, therefore we believe this condition should be moved to the FSO's licence.
Connection charging requirements under the Electricity Directive StLC C6A	Connection Charging Methodology, E11 Part D: Connection Charging Requirements under the Electricity Directive	Yes	FSO will continue NGESO's responsibility for connections, therefore we believe this condition should be moved to the FSO's licence.
Prohibition on discriminating between users StLC C7	Prohibition on Discriminating Between Users, B6	Yes	FSO will continue NGESO's responsibilities for connections and use of system charging, therefore we believe this condition should be moved to the FSO's licence.

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Requirement to offer terms StLC C8	Requirement to offer terms, E12	Yes	FSO will continue NGESO's responsibilities in the System Operator – Transmission Owner Code, therefore we believe this condition should be moved to the FSO's licence.
Functions of the Authority StLC C9	Functions of the Authority, E13	Yes	FSO will continue NGESO's responsibilities to offer connections, therefore we believe this condition should be moved to the FSO's licence.
Connection and Use of System Code (CUSC) StLC C10	Connection and Use of System Code (CUSC), E2	Yes	FSO will continue NGESO's responsibility for the CUSC, therefore we believe this condition should be moved to the FSO's licence.
Production of information about the national electricity transmission system StLC C11	Production of Information about the National Electricity Transmission System, C12	Yes	FSO will continue NGESO's responsibility for FES and 10-year statement, subject to the Central Strategic Network Planning work. We therefore believe this condition should be moved to the FSO's licence.
Limits on the level to which transmission services are provided StLC C12	Limits on the Level to which Transmission Services are Provided, C5	Yes	FSO will continue NGESO's responsibilities in the electricity transmission control centre, therefore we believe this condition should be moved to the FSO's licence.
Adjustments to use of system charges (small generators) StLC C13	N/A	No	This condition has been removed from the existing licence and is therefore not needed for the FSO.

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Grid Code StLC C14	Grid Code, E3	Yes	FSO will continue NGESO's responsibilities in the Grid Code, therefore we believe this condition should be moved to the FSO's licence.
Compliance with Distribution Codes StLC C15	Compliance with Distribution Codes, E5	Yes	FSO will continue NGESO's responsibility to comply with the Distribution Codes therefore we believe this condition should be moved to the FSO's licence.
Procurement and use of balancing services StLC C16	Procurement and Use of Balancing Services, C9	Yes	FSO will continue the NGESO's role procuring balancing services therefore we believe this condition should be moved to the FSO's licence.
Transmission system security standard and quality of service StLC C17	Transmission System Security Standard and Quality of Service, E7	Yes	FSO will need to comply with the SQSS, therefore we believe this condition should be moved to the FSO's licence.
Requirement to offer terms for connection or use of the GB transmission system during the transition period StLC C18	N/A	No	We believe this condition is not required for the FSO as it relates to the BETTA transition which has passed.
Duty to cooperate StLC C19	Duty to Cooperate, E9	Yes	FSO will need to co-operate with SCR process, therefore we believe this condition should be moved to the FSO's licence.

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ESO Condition Reference	FSO licence condition reference	Needed by FSO	Reason for including/not including in the FSO's licence
Assistance for areas with high distribution costs scheme: restriction on revenue StLC C20	Assistance for Areas with High Distribution Costs Scheme (AAHDCS), E15 Part A: Restriction on Revenue	Yes	FSO will continue to administer the areas for high distribution costs scheme, therefore we believe this condition should be moved to the FSO's licence.
Assistance for areas with high distribution costs scheme: payments from authorised suppliers StLC C21	Assistance for Areas with High Distribution Costs Scheme (AAHDCS), E15 Part B: Payments from Authorised Suppliers	Yes	FSO will continue to administer the areas for high distribution costs scheme, therefore we believe this condition should be moved to the FSO's licence.
Assistance for areas with high distribution costs scheme: payments to a relevant distributor StLC C22	Assistance for Areas with High Distribution Costs Scheme (AAHDCS), E15 Part C: Payments to a Relevant Distributor	Yes	FSO will continue to administer the areas for high distribution costs scheme, therefore we believe this condition should be moved to the FSO's licence.
Assistance for areas with high distribution costs scheme: annual statement StLC C23	Assistance for Areas with High Distribution Costs Scheme (AAHDCS), E15 Part D: Annual Statement	Yes	FSO will continue to administer the areas for high distribution costs scheme, therefore we believe this condition should be moved to the FSO's licence.

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ESO Condition Reference	FSO licence condition reference	Needed by FSO	Reason for including/not including in the FSO's licence
Energy Administration, Energy Supply Company Administration and Smart Meter Communication Licensee Administration: National Electricity Transmission System Operator Shortfall Contribution Obligations StLC C24	Energy Administration, Energy Supply Company Administration and Smart Meter Communication Licensee Administration: Electricity System Operator Shortfall Contribution Obligations, E14	Yes	FSO will continue to need powers to modify charges to raise amounts specified in a Shortfall Direction, therefore we believe this condition should be moved to the FSO's licence.
Provision of information and assistance to the Authority in relation to applications requiring the appointment of an offshore transmission owner StLC C25	Provision of Information and Assistance to the Authority in Relation to Applications Requiring the Appointment of an Offshore Transmission Owner, D4	Yes	FSO will continue to provide information to the Authority on Offshore Transmission, therefore we believe this condition should be moved to the FSO's licence.
Requirements of a connect and manage connection StLC C26	Requirements of a Connect and Manage Connection, C11	Yes	FSO will continue NGESO's obligations in connections, therefore we believe this condition should be moved to the FSO's licence.
The Network Options Assessment process and reporting requirements StLC C27	The Network Options Assessment (NOA) Process and Reporting Requirements, C13	Yes	FSO will continue NGESO's system planning roles, subject to any policy decisions to related to Central Strategic Network Plan, therefore we believe this condition should be moved to the FSO's licence.

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Functions for an efficient, co-ordinated and economic system operator StLC C28	Functions under the Electricity System Operator Licence, C1	Yes	FSO will continue all NGESO roles, new FSO roles have been added, therefore we believe this condition should be moved to the FSO's licence but has been amended to reflect the FSO's duties and functions.
Interpretation and definitions Special Licence Condition (SpLC) 1.1	Definitions, A1 Interpretation, A2	Yes	This has been consolidated with other definitions and interpretations conditions in the ESO's licence into the single definitions and interpretations conditions in the FSO's ESO licence.
Modification of Standard Conditions SpLC 1.2	N/A	No	Not required for the FSO. The appropriate modifications have been added to the appropriate sections of the relevant conditions
EMR Arrangements SpLC 2.1	EMR Arrangements, C8	Yes	FSO will continue NGESO role as EMR delivery body, therefore we believe this condition should be moved to the FSO's licence.
Electricity System Restoration Standard SpLC 2.2	Electricity System Restoration Standard, C4	Yes	FSO will continue NGESO responsibility for system restoration, therefore we believe this condition should be moved to the FSO's licence.

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Business Separation requirements and compliance obligations SpLC 2.3	Independence Requirements and Compliance Obligations, B1	Partial	Conditions relating to separation between NG plc and NGESO are no longer relevant with HMG ownership. But some provisions have been retained/modified.
Electricity Market Reform SpLC 2.4	N/A	No	The independence requirements covered by this condition have been folded into the wider FSO independence provisions in B1 and B2. Similarly, we believe the information ring fencing requirements in are no longer needed given the independence of the FSO and the general information ringfencing provisions in B8
Network Access Policy SpLC 2.5	Network Access Policy (NAP), C10	Yes	FSO will continue ESO network planning responsibilities therefore we believe this condition should be moved to the FSO's licence.
Prohibited Activities and Conduct of the Transmission Business SpLC 2.6	Conduct of ISOP Business, B3	Yes	These requirements will continue to be important for FSO but have been significantly amended to be more appropriate for the FSO.
Prohibition on engaging in preferential or discriminatory behaviour SpLC 2.7	Conduct of ISOP Business, B3	Yes	These requirements will continue to be important for FSO but have been significantly amended to be more appropriate for the FSO.
Allowances in respect of a Security Period SpLC 2.8	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.

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Disapplication of Relevant Special Conditions SpLC 2.10	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Digitalisation SpLC 2.11	Digitalisation, C2	Yes	FSO will continue and build on ESO digital responsibilities therefore we believe this condition should be moved to the FSO's licence.
Tax Reconciliation assurance statement SpLC 2.12	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
SO-TO Optimisation Governance SpLC 2.13	SO-TO Optimisation Governance, E8	Yes	FSO will continue to be responsible for system insight and planning therefore we believe this condition should be moved to the FSO's licence.
Remuneration Policy and Expenses Policy SpLC 2.14	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Transmission Network Revenue Restriction SpLC 3.1	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Pass-through items (PTt) SpLC 3.2	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
RIIO-1 Network Innovation Competition (NICFt) SpLC 3.3	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.

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The strategic innovation fund (SIFFt) SpLC 3.4	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Legacy adjustments to revenue SpLC 3.5	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Adjustment term (ADJt) SpLC 3.6	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Correction Term (Kt) SpLC 3.7	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
System Operator Internal Revenue Restriction SpLC 4.1	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Balancing Services Activity Revenue Restriction on External Costs SpLC 4.2	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Electricity System operator Reporting and Incentive Arrangements (ESORIt) SpLC 4.3	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
SO-TO Mechanism (SOTOct) SpLC 4.4	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.

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Total other revenue allowances (ORAt) SpLC 4.5	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
The RIIO_2 network innovation allowance (NIAt) SpLC 4.6	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Carry-over Network Innovation Allowance (CNIAt) SpLC 4.7	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
System Operator Legacy Adjustments (SOLARt) SpLC 4.8	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Legacy net RAV additions (LSORAVt) SpLC 4.9	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Governance of the ESO Price Control Financial Instruments SpLC 5.1	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.
Annual Iteration Process for the ESO Price Control Financial Model SpLC 5.2	To be decided as part of the financial considerations for the FSO	To be decided as part of the financial considerations for the FSO	The financial model is under consideration.