

Consultation

Future System Operator Draft Licences Consultation

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We are consulting on two proposed draft licences which would be held by the Future System Operator (FSO). Specifically, an Electricity System Operator (ESO) licence and Gas System Planner (GSP) licence, which will be granted (or treated as granted) once the Secretary of State designates the FSO under the Energy Bill. We would like views from people with an interest in the FSO. We would also welcome responses from other stakeholders and the public.

This non-statutory licence consultation includes the proposed conditions for the FSO's ESO and GSP licences that we believe are not impacted by policy decisions on the financial model. We intend to consult on the proposed financial licence conditions, consequential modifications to other licences and associated documents later in the year. We also intend to undertake a statutory consultation under the Energy Bill powers for the licences alongside the Department for Energy Security and Net Zero (DESNZ), ahead of FSO designation.

This document outlines the scope, purpose, and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Glossary

AAHDCS	Assistance for Areas with High Distribution Costs Scheme
ANCAR	Annual Network Capability Assessment Report
CCWG	Cross-Code Workgroup
CSNP	Centralised Strategic Network Planning
DAG	Data Assurance Guidance
Day 1	The first day of the FSO (i.e., the point of establishment as government owned entity when the first FSO licenses come into force).
DESNZ	Department for Energy Security and Net Zero
Energy Bill	Energy Bill 2022 – The Energy Bill (as amended) that was introduced to Parliament in July 2022, and will set the overarching legislative framework for the FSO. Cross-references to the Energy Bill in this document refer to the latest amended version of the Bill at the time of publication (version amended in the Public Bill Committee, dated 11 July 2023 and available at https://bills.parliament.uk/bills/3311).
ESO	Electricity System Operator. When used in this document, the term usually refers to the ESO licence rather than National Grid ESO Limited.
ET	Electricity Transmission
ETYS	Electricity Ten Year Statement
FSO	Future System Operator. This is the name currently given to the body that will be designated as the ISOP under the Energy Bill. References to the FSO in this document should be read as referring to that body. The Energy Bill provides for the ISOP to have statutory functions and duties.
GDPR	General Data Protection Regulation
GSO	Gas System Operator
GSP	Gas System Planner
GT	Gas Transmission
GTYS	Gas Ten Year Statement
ICO	Information Commissioner

ISOP	Independent System Operator and Planner. See also FSO.
Net Zero	Refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. The UK is required by law to reach net zero carbon emissions by 2050.
NETS	National Electricity Transmission System
NG Plc	National Grid Plc
NGESO	National Grid Electricity System Operator Limited
NGT	National Gas Transmission plc
Ofgem	Office of Gas and Electricity Markets
PCFH	Price control financial handbook
PCFM	Price control financial model
RIGs	Regulatory Instructions and Guidance
SLC	Standard Licence Condition
SoS	Secretary of State
SpC	Special Condition
SPS	Strategy and Policy Statement

Section 1: Introduction

Section summary

This section sets out the scope, purpose, and context for this consultation on the proposed conditions for the Future System Operator (FSO) draft licences.

What are we consulting on?

- 1.1 This consultation sets out the proposed draft conditions for the Electricity System Operator (ESO) and Gas System Planner (GSP) licences which would be held by the FSO once designated by the Secretary of State under the Energy Bill (once enacted). These licences will be new categories of licences under the Electricity Act 1989 and Gas Act 1986 respectively, following enactment of the Energy Bill provisions amending these Acts¹.
- 1.2 These proposed draft ESO and GSP licences are provided as subsidiary documents the annexes.
- 1.3 The draft licences set out the FSO's activities and functions for Day 1² in further detail and enable the FSO to deliver the roles set out in the joint Department for Energy Security and Net Zero (DESNZ) and Ofgem 'Proposal for a Future System Operator'³ and 'FSO Second policy consultation and update'⁴ consultations.
- 1.4 The proposed draft licence conditions also contain further detail on the regulatory framework of the FSO. This includes enabling the independence of the FSO from energy interests, and how its statutory duties are reflected in relation to its functions. This also includes the licence conditions providing further obligations regarding performance of, and reporting on, the FSO's functions.
- 1.5 The proposed draft licence conditions do not contain the financial provisions of the ESO or GSP licences, or the consequential impacts on other licences. We intend to conduct a consultation on these later in the year.

¹ The Energy Bill referred to here and throughout is the Energy Bill introduced into parliament in July 2022. The stages of the Energy Bill's passage through parliament, and text of the Energy Bill and amendments to it can be found at the link here: [Energy Bill \[HL\] - Parliamentary Bills - UK Parliament](#). As outlined in section 4 of this document, the Energy Bill, and the clauses referenced therein, refer to the Bill as amended in the Public Bill Committee (i.e. the version published at the link above on 11 July 2023).

² The first day of the FSO (i.e. from point of designation as government owned entity and when licenses come into force)

³ [Proposals for a Future System Operator role - GOV.UK \(www.gov.uk\)](#)

⁴ [Future System Operator Second Policy Consultation and Project Update | Ofgem](#)

- 1.6 This is a non-statutory consultation. Ofgem and Government intends to undertake a statutory consultation using the powers in the Energy Bill ahead of FSO designation.

Background

- 1.7 This section sets out the background for the FSO, including an overview of new and existing roles. It builds on the first joint DESNZ and Ofgem consultation published in July 2021 and associated response published in April 2022⁵ and is intended to be read alongside the joint DESNZ and Ofgem consultation “Future System Operator – Update Document and Second Consultation”.⁶
- 1.8 In July 2021, Ofgem and government issued the first FSO consultation, which followed Ofgem’s review of GB system operation in January that year.⁷ This consultation sought views on the proposal for an expert, impartial body with responsibilities across the electricity and gas systems, as well as future new roles and the organisational model of the FSO.
- 1.9 A joint consultation response was published in April 2022. This response outlined the intention to proceed with and establish the FSO (described in the Energy Bill as the Independent System Operator and Planner or ISOP) as an independent body with the full capabilities of the ESO and additional gas planning, market and forecasting functions.
- 1.10 Legislation in the form of the Energy Bill⁸ was introduced in Parliament in July 2022. Subject to the enactment of the Energy Bill, this Bill enables the designation of the FSO⁹ as well as setting out key statutory duties for the FSO.
- 1.11 Note, where we refer to the Energy Bill, its contents, and powers throughout this consultation, these will be subject to the successful enactment of the Energy Bill. In the draft licences, the term ‘Energy Act 2023’ is used.

Next Steps

- 1.12 This draft licence consultation enables stakeholders to engage in detail on the contents of the FSO licences. We then intend to consult on the complete FSO licence conditions in a joint statutory consultation with DESNZ. This will include

⁵ [Consultation on proposals for a Future System Operator role \(accessed on 14/06/2023\)](#)

⁶ [Future System Operator: second policy consultation and project update - GOV.UK \(www.gov.uk\)](#)

⁷ [Review of GB energy system operation | Ofgem](#)

⁸ [Energy Bill \[HL\] - Parliamentary Bills - UK Parliament](#)

⁹ FSO also known as ISOP

the licence conditions covered in this consultation (so far as they are retained depending on representations and views received), and any conditions introduced at subsequent stages (see below for details). We expect the statutory consultation on all licence conditions for the FSO's licences to take place in Spring 2024.

- 1.13 This draft licence consultation does not include proposed drafting for FSO licence conditions that set out the FSO's price control and wider financial regulation. Ofgem intends to consult on proposed drafting for these conditions in Q4 2023. Consequential amendments to other existing licences and changes to associated documents would also be consulted on at that time.
- 1.14 Responses to this consultation will be used to inform the development of the proposed licences before a statutory FSO licence consultation expected in 2024. This is subject to enactment of the Energy Bill and overall progress on the licence conditions.

How to respond

- 1.15 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.
- 1.16 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.17 Where feedback is provided with regards to a specific area, please include the Document or Annex Name, Section Reference, Condition Number, Page Number and Paragraph Number where possible followed by your feedback (e.g. '**Annex A - Draft ESO Licence CLEAN, Section A, Condition A1, Page 1, Paragraph 1: Feedback Text**').
- 1.18 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.19 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

- 1.20 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.21 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice, see Appendix 2.
- 1.22 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

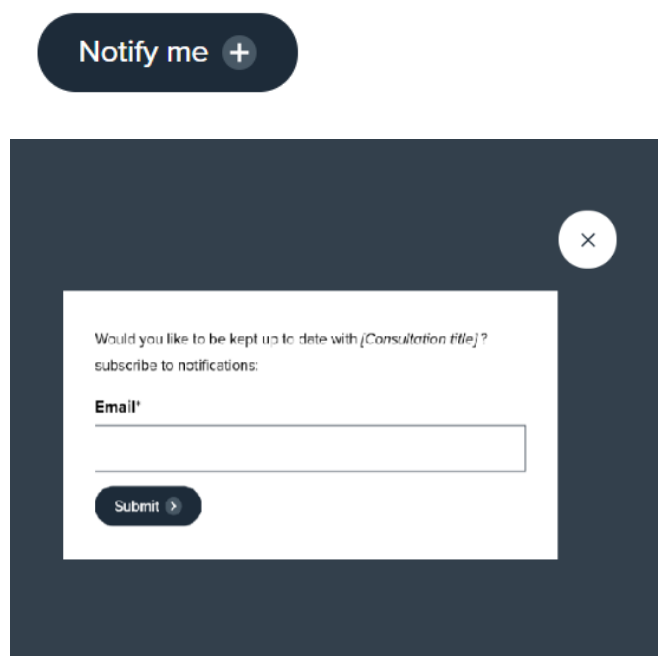
1.23 We believe that consultation is at the heart of good policy development and welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

1.24 Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

1.25 You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



1.26 Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

- **Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

Section 2: Background

Section summary

This section sets out the background for the FSO, including an overview of new and existing roles.

Drivers for change

- 2.1 Meeting the UK’s ambitious climate change goals requires a transformation across the energy system, including dramatic change to how we generate electricity, heat our homes, power our vehicles, and how our electricity and gas networks are built and operated.
- 2.2 Alongside the challenge to deliver our ongoing commitments to Net Zero and achieve a low-carbon future, the war in Ukraine continues to drive extremely high prices and volatility in the international gas market. As Britain’s energy regulator, Ofgem has adapted to the energy crisis to meet the scale of the challenges posed, taking on major new areas of work, and new powers and responsibilities. This means driving system reforms and governance arrangements so that the energy system is optimised for a more flexible future.

The Future System Operator

- 2.3 Ofgem and Government set out a commitment to create a system operator which is independent, capable of taking on a wider remit of responsibilities as the energy system becomes ever more complex and will operate in the interests of consumers.
- 2.4 This new, independent FSO will take on all the main existing roles and responsibilities of the ESO and strategic, longer-term gas forecasting, market and planning roles in respect of gas.
- 2.5 Additionally, it will take on new and enhanced roles, including providing expert advice, analysis, and information to Ofgem and government, and will play an increasingly significant role in shaping the energy system and driving forward competition. It will also have statutory powers to request information to support its functions.
- 2.6 The FSO will have further statutory duties it will need to consider when performing its functions. These are the duty to promote particular objectives (Net

Zero, security of supply, efficiency and economy) as set out in clause 160 of the Energy Bill, which we propose to refer to as the Primary Duty in the licence. The FSO will have further duties requiring it to have regard for particular matters (facilitating competition, consumer impact, whole-system impact, facilitating innovation) set out in clause 161 of the Energy Bill, which we propose to refer to as the Secondary Duty in the licence. The FSO will need to decide how to best balance these considerations.

- 2.7 In the coming months, we will also formally launch the Cross-Code Workgroup (CCWG) to develop the code changes required for the establishment of the FSO. Our Call for Volunteers to participate in the CCWG ran in August 2023.¹⁰ This Call for Volunteers invited expressions of interest from industry stakeholders who would like to participate in a dedicated CCWG to develop the industry code modifications required for the establishment of the FSO.
- 2.8 An update to this Call for Volunteers will be published in due course, containing a response to the feedback we received from industry, detailed information on the Workgroup phase of the FSO Codes Change Programme, and accompanied by a fuller set of launch artefacts.

Approach to licence implementation

- 2.9 As set out in the 'Future System Operator – Second Policy Consultation and Update', the intention is for the powers in the Energy Bill to be used to create a licensing scheme for the Secretary of State to direct that the transmission licence held by the ESO is converted, from FSO Day 1, to have effect as an 'electricity system operator' licence held by the FSO. The Secretary of State will also use powers in the Energy Bill to grant the FSO the first 'gas system planner' licence.
- 2.10 The use of the licensing scheme would transfer the relevant approvals, derogations, consents, and obligations under NGENSO's licence to the FSO's ESO licence. We believe this means that the relevant approvals, derogations, consents and obligations under NGENSO's licence would remain in place for FSO Day 1, and for this reason, we have assumed that documents that the NGENSO has published as a condition of their licence that have already been approved by Ofgem would retain that approval on FSO Day 1.
- 2.11 We intend to use provisions of the Energy Bill (once enacted), to consult on and subsequently amend the licences (and other documents associated with the

¹⁰ [Call for Volunteers – FSO Codes Change Programme | Ofgem](#)

licences) regime and industry codes, as required for the establishment of the FSO.

Approach to further policy

2.12 This draft licence consultation does not include the provisions related to the financial provisions of the FSO, as discussed in Section 1. We also note ongoing Ofgem work on the Centralised Strategic Network Plan¹¹ and onshore electricity network competition¹² which could place new responsibilities on the FSO on Day 1, and potentially impact the licence drafting being consulted on in this document. We believe these impacts to be in the descriptions of the specific draft licence conditions and sections of the proposed licences, but there may be additional impacts to other licence conditions.

¹¹ [Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options | Ofgem](#)

¹² [Onshore transmission project delivery | Ofgem](#)

Section 3: Proposed licence structure

Section summary

This section sets out the rationale and approach taken to draft the licence conditions.

Rationale for licencing

- 3.1 The Energy Bill (once enacted) provides for the FSO to hold two licences: an Electricity System Operator (ESO) licence (under the Electricity Act 1989) and a Gas System Planner (GSP) licence (under the Gas Act 1986).
- 3.2 These licences form a key part of the FSO's regulatory framework. They enable legally binding obligations to apply to the FSO that set out further detail related to the obligations in legislation. Once the FSO is established, and its licences are granted (or treated as granted) by the Secretary of State of the Department of Energy Security and Net Zero (DESNZ), Ofgem – as the independent regulator – will have the power to amend these and maintain them through time. Ofgem will be responsible for monitoring and regulating the FSO's compliance with its licence obligations, and the FSO will be accountable to Ofgem for the performance against, or any breach of, these licence obligations.

Approach to licence drafting

- 3.3 As the ESO and GSP licences will be new licences for the creation of the FSO, Ofgem's approach to the FSO licences balances the need for consistency with the existing licensing framework and change. The licences need to ensure the FSO will continue smooth delivery of the existing roles currently carried out by National Grid Electricity System Operator Limited (NGESO), while also promoting a new approach to system operation to enable the success of Net Zero.
- 3.4 These draft ESO and GSP licences are informed by existing electricity system operator and gas obligations that currently sit in the electricity transmission and gas licences. Ofgem expects the policy intent and content of a significant portion of these licence conditions – that set out the obligations around existing roles and standard regulatory frameworks – to largely stay the same in the new FSO licences, but with modernised language and structure where possible, given the age of the electricity transmission and gas licences.
- 3.5 Ofgem perceive four key drivers for new or significantly modified licence conditions:

- **New FSO statutory duties:** To reflect the FSO’s new statutory duties by setting out the Primary Duty and Secondary Duty in the licences. Throughout the licence, reference to the FSO’s duties will be introduced where appropriate and similarly references to the general duties of Transmission Licensees (as set out in section 9 of the Electricity Act 1989) will be removed where appropriate. As set out in the Future System Operator - Second Policy Consultation and Update, we expect the FSO’s activities to evolve over time. Ofgem will consider the FSO’s new statutory duties while regulating the FSO, and it is for the FSO to balance the considerations in the duties. Ofgem will expect the FSO to demonstrate how it has done so. We intend to set out more detail on what Ofgem expects this to mean for the FSO and the performance of different functions in the ISOP Roles Guidance (see section 7).
 - **New/enhanced roles:** To introduce new/enhanced roles, including the to the provision of advice to Government and Ofgem, roles relating to resilience and critical national infrastructure, compliance with national security directions and gas functions. Some other new roles for the FSO, like Central Strategic Network Planning, are being led by other areas of Ofgem and we have addressed how we plan to take that into account later in this document.
 - **New ownership model:** Account for the public ownership model design and oversight by removing/modifying licence obligations that are aimed at regulating a private company and may no longer be proportionate for a publicly owned organisation. For example, this includes removing and amending licence obligations aimed at maintaining business separation between the NGESO and National Grid plc that were introduced as part of legal separation of NGESO.
 - **Alignment between fuels:** Aligning gas and electricity licence obligations to bring these functions under one organisational design for the FSO. This has been achieved by consolidating and amending licence conditions (for example, business conduct and impartiality) to align across both fuels.
- 3.6 Further details on the approach we’ve taken to drafting these licence conditions can be found in Appendix 3, “FSO licence drafting principles”.
- 3.7 Given the current status of the passage of the Energy Bill through parliament, any reference to provisions from the Bill in this consultation document and the draft licence conditions are to the bill as amended in Public Bill Committee (the version

published 11 July 2023)¹³. These will be updated as appropriate in further iterations of the licence drafting.

Process of licence conditions drafting

3.8 The underpinning policy for the licence conditions is set out in the joint 'Proposals for a Future System Operator'¹⁴ and 'Future System Operator: second policy consultation and project update'¹⁵ consultations. Ofgem have worked with DESNZ to confirm the intent of these policies and drafted proposed licence conditions which are intended to deliver this. To support this work, Ofgem have reviewed the existing NGESO and gas licences.

Existing roles and corresponding licence conditions

3.9 Where we have introduced the draft licence conditions on existing drafting in NGESO's licence, one of the two following treatments were applied:

1. **Existing licence conditions requiring amendments:** Where appropriate, licence conditions have been carried over into the new proposed draft licences with amendments to reflect the creation of the FSO.
2. **Removed licence conditions:** This includes those conditions that are considered to no longer be required, either due to the creation of the FSO and its establishment as a public corporation or have been subsumed into other licence conditions.

3.10 In cases where it was felt it would improve the clarity of the licence by grouping similar concepts together, there are instances where we propose multiple existing conditions in NGESO's licence should be combined into a single condition in the FSO's ESO licence.

3.11 We have reviewed the existing licence obligations on NGESO to determine whether they were appropriate as the basis for obligations on the FSO. In the annexes to this document we have set out the rationale for why we believe those conditions should form part of the FSO licence or not. We have also provided mapping to the existing licence where appropriate in the reasons and effects sections of this document.

¹³ [Energy Bill \[HL\] publications - Parliamentary Bills - UK Parliament](#)

¹⁴ [Proposals for a Future System Operator role - GOV.UK \(www.gov.uk\)](#)

¹⁵ [Future System Operator: second policy consultation and project update - GOV.UK \(www.gov.uk\)](#)

New roles and corresponding licence conditions

3.12 For licence conditions relating to new roles, one of the two treatments were applied:

1. **Existing licence conditions:** Where appropriate, new roles have been captured in an amended existing licence condition.
2. **New licence conditions:** These have been created where new roles do not have a clear existing licence condition into which they could be subsumed.

Structure of the ESO and GSP licences

3.13 Given that there will only be one person that can be designated as the FSO, there is no need to differentiate between Standard and Special conditions for the FSO's ESO and GSP licences.

3.14 We have proposed a chapter structure for the ESO and GSP licences that is aligned across both of the licences, with conditions grouped together by theme:

- Section A: Definitions and interpretation
- Section B: Business conduct and independence
- Section C: Strategic and operational functions
- Section D: Provision of advice and information
- Section E: Industry codes and charging
- Section F: Price Control (to be consulted on later this year)
- Section G: Financial Provisions (to be consulted on later this year)

Section 4: Proposed Electricity System Operator licence

Section summary

This section sets out the rationale and approach taken to draft the licence conditions.

Questions

Q1. Does the draft ESO licence capture the policy intent set out by the joint 'Proposals for a Future System Operator' and 'Future System Operator: second policy consultation and project update' consultations?

Reason and effect for proposed Electricity System Operator licence conditions

- 4.1 This section sets out the draft licence conditions we are consulting on in the FSO's ESO licence in the order they appear in that licence. We have set out the purpose of each condition, whether it is new or a based on existing provisions in NGESO's licence, and the equivalent condition in the FSO's GSP licence if applicable. Where we have indicated that there is an associated document related to the licence condition, we mean an Ofgem owned document.
- 4.2 While we expect that most of the licence conditions related to the financial provisions that we plan to consult on later in the year will be in sections F and G of the FSO's ESO licence, some conditions (for example Payments to the Authority if that condition is deemed required for the FSO) could be added to one of sections A – E as appropriate. The layout and split of sections provided here is liable to change ahead of the future statutory consultation.
- 4.3 As highlighted in the "Implementation approach" section of this document, the intention is for the powers in the Energy Bill to be used to create a licensing scheme for the Secretary of State to direct that the transmission licence held by NGESO is converted, from FSO Day 1, to have effect as an 'electricity system operator' licence held by the FSO. We have therefore taken the approach that existing documents published by NGESO that have already been approved by Ofgem would not need to be re-published by the FSO on Day 1 and would not require new approval by Ofgem. The proposed draft licence conditions reflect this assumption where applicable.

Section A: Definitions and interpretation

- 4.4 This section sets out the definitions and interpretation provisions for the licence. This includes the defined terms used in this licence, and provisions to support the interpretation of licence conditions, clauses and the powers of the Authority in respect of the licence (e.g., in issuing directions).
- 4.5 This section also sets out the process for making licence modifications for housekeeping changes. This process reflects that which exists across Ofgem’s regulatory regime in the licences of other licensed parties, including the ESO.
- 4.6 We are determining whether a licence condition that mirrors the existing ‘Payments by Licensee to the Authority’ is required for the FSO, which may be consulted on alongside the financial provisions.

A1: Definitions

Condition	A1: Definitions
Purpose	The purpose of this condition is to set out the defined terms that are used in the conditions of this licence (all of which are capitalised throughout these conditions).
Type of Change	Significant amendment of existing NGESO special licence condition and existing Electricity Transmission (ET) standard licence condition
Existing ET standard condition & NGESO special condition numbers	A1: Definitions and interpretation 1.1 Interpretation and definitions
Equivalent GSP condition	A1: Definitions
Associated document(s)	None

- 4.7 The reasons for amending the existing conditions are to:
- separate the definitions section from the interpretation section;
 - remove defined terms not required for the FSO’s ESO licence;
 - add new defined terms required for the FSO’s ESO licence; and
 - amend existing definitions from NGESO’s licence for the FSO’s ESO licence.
- 4.8 The effect of the amendments is to improve the clarity of the licence.
- 4.9 We expect that further definitions will be required once the financial provisions in the FSO’s ESO licence have been drafted, and we plan to consult on those definitions alongside those draft licence conditions later this year.

A2: Interpretation

Condition	A2: Interpretation
Purpose	The purpose of this condition is to set out provisions of general interpretation for the conditions of this licence. Note that other provisions exist in the terms of this licence.
Type of Change	Significant amendment of existing NGESO special licence condition and existing ET standard licence condition
Existing ET standard condition & NGESO special condition numbers	A1: Definitions and interpretation 1.1 Interpretation and definitions
Equivalent GSP condition	A2: Interpretation
Associated document(s)	None

4.10 The reasons for amending the existing conditions are to:

- separate the definition section from the interpretation section;
- remove interpretation provisions not required for the FSO’s ESO licence;
- add new interpretation provisions required for the FSO’s ESO licence;
- amend existing interpretation provisions from NGESO’s licence for the FSO’s ESO licence; and
- align the interpretation provisions across the ESO and GSP licences.

4.11 The effect of the amendments is to improve the clarity of the licence.

4.12 We expect that further interpretation provisions will be required once the financial provisions in the licence have been drafted, and we plan to consult on those provisions alongside those draft licence conditions later this year.

A3: Housekeeping licence modifications

Condition	A3: Housekeeping licence modifications
Purpose	The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B24: Housekeeping
Equivalent GSP condition	A3: Housekeeping licence modifications
Associated document(s)	None

- 4.13 The reason for amending the existing condition is to modify provisions on housekeeping licence modifications to be appropriate and effective for the FSO’s ESO licence.
- 4.14 The effect of the amendments is to ensure there is a process for making housekeeping modifications to the conditions of the FSO’s licences, and to include necessary references to the Energy Bill where appropriate.

Section B: Business Conduct and Independence

- 4.15 This section of the licence relates to licence conditions that provide obligations to ensure the FSO’s independence from industry, and the conduct of its business activity.
- 4.16 This section also covers procedures related to the FSO’s operations, including obligations on the FSO to comply with directions related to national security.
- 4.17 Condition B8 of this licence also introduces provisions on protecting confidential data and confidential information within the FSO. This includes ringfencing provisions and obligations on the licensee in respect of disclosure of data, which replaces the previous System Operator Functions Information (SOFI) provisions and EMR ring fence in the ESO Special Conditions.

B1: Independence Requirements and compliance obligations

Condition	B1: Independence Requirements and compliance obligations
Purpose	<p>The purpose of this condition is to establish the Independence Requirements and compliance obligations in respect of the ISOP Business, as follows:</p> <p>Part A sets out the Independence Requirements that the licensee must comply with when undertaking ISOP Business;</p> <p>Part B sets out requirements for the appointment of Sufficiently Independent Directors;</p> <p>Part C sets out obligations related to Transitional Services;</p> <p>Part D sets out the requirement for an Independence Statement;</p> <p>Part E sets out the requirements for the appointment of a Compliance Officer and compliance reporting; and</p> <p>Part F provides for the licensee to apply for a derogation for relief from its obligations under this condition.</p>
Type of Change	Significant amendment of existing NGESO special licence condition and existing ET standard licence condition
Existing NGESO special and ET standard condition numbers	<p>Sp2.3: Business separation requirements and compliance obligations</p> <p>ET SLC B22: Requirement for sufficiently independent director</p>
Equivalent GSP condition	B1: Independence Requirements and compliance obligations
Associated document(s)	None

- 4.18 The reasons for amending the existing conditions is to reflect the new operational model of the FSO, including expectations and requirements for enabling its independence.
- 4.19 The effect of amending the existing conditions is to combine and provide clarity on obligations Sufficiently Independent Directors and the independence requirements for the FSO.
- 4.20 Note that the drafting of this licence condition is so significantly different than NGESO special condition 2.3 and ET SLC B22 that a redline mark up of those

conditions would include too many tracked changes to be easily legible. For that reason, we have not presented this condition in tracked changes. Instead, for ease of comparison, below are the relevant sections of NGESO's licence we used as a basis for the drafting in this draft licence condition:

- Part A: Independence Requirements of the licensee, of this draft licence condition is based on Part B: Legal and functional separation of the licensee and the Relevant Other Competitive Businesses and the Relevant Regulated Businesses of NGESO special condition 2.3 (Business Separation requirements and compliance obligations);
- Part B: Requirements for non-executive directors to be Sufficiently Independent Directors of this draft licence condition is based on condition B22 (Requirement for sufficiently independent directors) of the electricity transmission standard conditions; and
- Parts D – E of this draft licence condition are based on Part D: Compliance statement and compliance documents of NGESO special condition 2.3 (Business Separation requirements and compliance obligations)

4.21 We are expecting that Part C in this condition will provide further obligations and requirements relating to transitional services. We are expecting to provide provisions on this as part of the further consultation planned for later this year.

B2: Restriction on activity and financial ringfencing

Condition	B2: Restriction on activity and financial ringfencing
Purpose	<p>The purpose of this condition is to establish:</p> <p>In Part A, the restrictions on activity, shareholdings and other investments of the licensee; and</p> <p>in Part B, limitations in respect of the licensee or an ISOP Associate conducting ancillary functions.</p>
Type of Change	Significant amendment of existing ET standard licence condition
Existing ET standard condition number	B6: Restriction on Activity and Financial Ring Fencing
Equivalent GSP condition	B2: Restriction on activity and financial ring fencing
Associated document(s)	None

- 4.22 The reasons for amending the existing condition is to reflect the new operational and governance model of the FSO, and how the performance of its functions is treated in the overall regulatory framework.
- 4.23 The effect of the amendments is for this condition to provide necessary restrictions on the FSO on shareholding, activity and other investments, as well as the treatment of the FSO’s functions (and ancillary functions).

B3: Conduct of ISOP Business

Condition	B3: Conduct of ISOP Business
Purpose	The purpose of this condition is to establish the licensee’s obligations in respect of the conduct of its ISOP Business, and avoidance of discriminatory or preferential behaviour.
Type of Change	Significant amendment of existing ET standard licence conditions
Existing NGESO special condition numbers	Sp2.6: Prohibited Activities and Conduct of the Transmission Business Sp2.7: Prohibition on engaging in preferential or discriminatory behaviour
Equivalent GSP condition	B3: Conduct of ISOP Business
Associated document(s)	None

- 4.24 The reasons for amending the existing condition are to ensure this condition reflects the FSO’s performance of its functions across the whole system, and the new operational governance model for the FSO.
- 4.25 The effect of the amendments is that the FSO must conduct its functions and business in a manner best calculated to secure that persons operating across gas and electricity do not obtain any unfair commercial advantage in the circumstances specified by this licence condition, nor does the FSO unduly restrict, prevent or distort competition in gas and electricity.
- 4.26 Note that the drafting of this licence condition is so significantly different than NGESO special conditions 2.6 and 2.7 that a redline mark up of those conditions would include too many tracked changes to be easily legible. For that reason, we have not presented this condition in tracked changes. Instead, for ease of comparison, below are the relevant sections of NGESO’s licence we used as a basis for the drafting in this draft licence condition:
- In Part A: Licensee’s conduct of its ISOP Business, paragraph 2 of this draft licence condition is adapted from Part B: Conduct of the Transmission Business from NGESO special condition 2.6 (Prohibited Activities and Conduct of the Transmission Business). Paragraph 3 of this draft licence condition is adapted from Part A: Prohibition on engaging in preferential or discriminatory behaviour of NGESO special condition 2.7 (Prohibition on engaging in preferential or discriminatory behaviour).

- Part B: Licensee’s records of compliance of this draft licence condition is adapted from paragraph 2.7.3 of NGESO special condition 2.7 (Prohibition on engaging in preferential or discriminatory behaviour).

B4: Compliance with directions related to national security

Condition	B4: Compliance with directions related to national security
Purpose	The purpose of this condition is to require the licensee to comply with directions issued by the Secretary of State where there is a risk relating to national security that may detrimentally impact the resilience, safety or security of the energy system, or the continuity of essential services.
Type of Change	New licence condition
Equivalent GSP condition	B4: Compliance with directions related to national security
Associated document(s)	None

- 4.27 The reason for introducing this condition is to establish the policy on the FSO responding to directions related to national security.
- 4.28 The effect of this condition is that the licensee will take certain actions when complying with directions from the Secretary of State where there is a risk relating to national security that may detrimentally impact the resilience, safety or security of the energy system, or the continuity of essential services, and it is in the interest of national security that a direction should be issued to the FSO.

B5: Prohibition of cross-subsidies

Condition	B5: Prohibition of cross-subsidies
Purpose	The purpose of this condition is to establish restrictions on the provision and receipt of cross-subsidies by and to the licensee.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B5: Prohibition of cross-subsidies
Equivalent GSP condition	B5: Prohibition of cross-subsidies
Associated document(s)	None

4.29 The reason for amending the existing condition is to ensure the prohibition of cross-subsidies is appropriate for the FSO’s new operational and governance model.

4.30 The effect of the amendments is that the FSO must not give any cross-subsidy to, or receive any cross-subsidy from, an ISOP Affiliate or ISOP Related Undertaking.

B6: Prohibition on discriminating between users

Condition	B6: Prohibition on discriminating between users
Purpose	The purpose of this condition is to set out the prohibition on the licensee on discriminating between users.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C7: Prohibition on discriminating between users
Equivalent GSP condition	None
Associated document(s)	None

4.31 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.32 The effect of the amendments is to improve the clarity of the licence condition.

B7: Notification of changes that may affect Eligibility for Certification

Condition	B7: Notification of changes that may affect Eligibility for Certification
Purpose	The purpose of this condition is to ensure the Authority is informed of any event or circumstances that may affect the licensees' Eligibility for Certification or exercise of Shareholder Rights.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B21: Notification of changes that may affect eligibility for certification
Equivalent GSP condition	None
Associated document(s)	None

4.33 The reasons for amending this condition are to:

- reflect the FSO ownership policy decisions; and
- align the drafting in this condition with our FSO licence drafting principles.

4.34 The effect of the amendments is to implement the FSO policy decisions related to ownership by the Secretary of State and improve the clarity of the licence condition.

B8: Information ringfencing requirements

Condition	B8: Information ringfencing requirements
Purpose	The purpose of this condition is to ensure that the licensee appropriately manages and secures confidential information that relates to the licensee's performance of its functions.
Type of Change	New licence condition
Equivalent GSP condition	B6: Information ringfencing requirements
Associated document(s)	None

4.35 The reason for introducing this condition is to establish the obligations on the FSO related to appropriately securing and managing sensitive information related to the performance of certain functions.

4.36 The effect of this condition is that the licensee will identify the data and confidential information it holds that should not be disclosed to persons not

engaged with the delivery of the ISOP Business and put in place and maintain a code of conduct governing the disclosure of such information.

Section C: Strategic and Operational Functions

- 4.37 This section contains the licence conditions related to the FSO's strategic and operational functions, including the electricity control centre activities, market activities and network planning activities.
- 4.38 This section contains some existing activities of NGESO where we haven't proposed significant changes for the FSO, conditions that have been amended to reflect the FSO policy decisions, and new conditions to implement FSO policy.
- 4.39 In November 2022, Ofgem published the decision on the initial findings of our Electricity Transmission Network Planning Review, which set out that the FSO should deliver a new electricity transmission network planning output called the Centralised Strategic Network Plan (CSNP).¹⁶
- 4.40 Ofgem are currently working to develop the CSNP regulatory framework, and this is likely to impact some of the licence conditions in this section of the FSO licence.¹⁷ We have set out where we think licence conditions could be superseded by new conditions or require further significant re-drafting to implement the CSNP policy. While we have identified the licence conditions, we expect will be impacted there may be further impacts on other conditions as the CNSP and onshore electricity competition regulatory frameworks are developed. Depending on how that work develops, we anticipate that the licence drafting proposed in this consultation could be superseded by those proposals for FSO Day 1. Ofgem intend to consult on licence drafting to implement the CSNP regulatory framework later this year, such that the associated licence changes could become part of the FSO Day 1 changes.

¹⁶ [Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options | Ofgem](#)

¹⁷ Ofgem's July 2023 CSNP consultation proposes some areas of policy that we would expect to be part of the FSO's licence, see - [Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options | Ofgem](#)

C1: Functions under the Electricity System Operator licence

Condition	C1: Functions under the Electricity System Operator licence
Purpose	The purpose of this condition is to ensure that the licensee carries out its functions under this Electricity System Operator Licence, in compliance with the licensee's Primary Duty and Secondary Duty.
Type of Change	Significant amendment of existing ET standard licence condition
Existing ET standard condition number	C28: Functions for an efficient, co-ordinated and economic system operator
Equivalent GSP condition	C1: Functions under the Gas System Planner
Associated document(s)	ISOP Roles Guidance

4.41 The reason for amending this licence condition is to incorporate the new statutory duties and roles of the FSO into the existing NGESO incentive framework, and set out that there will be one ISOP Roles Guidance document that will cover the FSO's roles across its ESO and GSP licences.

4.42 The effect of the amendments is to provide clarity on the obligations of the licensee, in carrying out its functions as the ISOP.

C2: Licensee's regard to Strategy and Policy Statement

Condition	C2: Licensee's regard to Strategy and Policy Statement
Purpose	The purpose of this condition is for the licensee to carry out its functions and act in accordance with obligations set out in respect of the Strategy and Policy Statement.
Type of Change	New licence condition
Equivalent GSP condition	C2: Licensee's regard to Strategy and Policy Statement
Associated document(s)	None

4.43 The reason for introducing this licence condition is to set out that the FSO must carry out its functions in accordance with obligations related to the Strategy and Policy Statement (SPS).

4.44 The effect of this licence condition is to obligate the FSO to carry out its functions in accordance with obligations related to the Strategy and Policy Statement.

C3: Digitalisation

Condition	C3: Digitalisation
Purpose	The purpose of this condition is to set out the licensee’s obligations to: In Part A, have and update a Digitalisation Strategy; In Part B, have and update a Digitalisation Action Plan; in Part C, comply with the DSAP Guidance; and in Part D, comply with Data Best Practice Guidance.
Type of Change	Minor amendment of existing NGESO special licence condition
Existing NGESO special condition number	Sp2.11: Digitalisation
Equivalent GSP condition	C2: Digitalisation
Associated document(s)	DSAP Guidance and Data Best Practice Guidance

4.45 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles and remove references to how Ofgem will issue the first instance of the DSAP Guidance and Data Best Practice Guidance which are no longer required since these have already been issued by Ofgem. We have also removed references to the dates by which the Digitalisation Action Plan and Digitalisation Strategy will be published by the licensee since these have already been published.

4.46 The effect of the amendments is to:

- Align the drafting with the equivalent GSP licence condition; and
- Improve the clarity of the licence.

C4: Electricity System Restoration Standard

Condition	C4: Electricity System Restoration Standard
Purpose	The purpose of this condition is to set out the licensee’s obligations relating to the Electricity System Restoration Standard once the licensee has received a direction from the Secretary of State designating the Electricity System Restoration Standard.
Type of Change	Minor amendment of existing NGESO special licence condition
Existing NGESO special condition number	Sp2.2: Electricity System Restoration Standard
Equivalent GSP condition	None
Associated document(s)	None

4.47 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.48 The effect of the amendments is to improve the clarity of the licence condition.

C5: Limits on the level to which Transmission Services are provided

Condition	C5: Limits on the level to which Transmission Services are provided
Purpose	The purpose of this condition is to set out the licensee’s obligation relating to the technical levels set out in the System Operator – Transmission Owner Code (STC).
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C12: Limits on the level to which transmission services are provided
Equivalent GSP condition	None
Associated document(s)	None

4.49 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.50 The effect of the amendments is to improve the clarity of the licence condition.

C6: Licensee’s obligations regarding critical national infrastructure

Condition	C6: Licensee’s obligations regarding critical national infrastructure
Purpose	The purpose of this condition is to ensure the licensee supports the identification of critical national infrastructure and reviews and applies methodologies where the Secretary of State may request.
Type of Change	New licence condition
Equivalent GSP condition	C5: Licensee’s obligations regarding critical national infrastructure
Associated document(s)	None

4.51 The reason for introducing this licence condition is to implement the FSO policy decision that the FSO support the identification of critical national infrastructure where requested by the Secretary of State, as set out in the FSO policy consultation.

- 4.52 The effect of this condition is that the FSO is required to respond to requests received from the Secretary of State to:
- review methodologies for the identification of critical national infrastructure; and
 - apply a methodology to identify sites and assets of critical national infrastructure when the Secretary of State requests.

C7: Energy resilience and resilience reporting

Condition	C7: Energy resilience and resilience reporting
Purpose	The purpose of this condition is to ensure the licensee appropriately promotes and supports the resilience, security and flexibility of the whole energy system.
Type of Change	New licence condition
Equivalent GSP condition	C6: Energy resilience and resilience reporting
Associated document(s)	None

4.53 The reason for introducing this condition is to reflect the policy for the FSO to deliver and perform functions in respect of energy system resilience.

4.54 The effect of this condition is to provide the licensee’s obligations in connection with supporting whole system energy resilience and producing regular reports and assessments on energy system risks and resilience.

C8: EMR Arrangements

Condition	C8: EMR Arrangements
Purpose	The purpose of this condition is to set out the Weather Correction Methodology and the Customer and Stakeholder Satisfaction Surveys that the licensee must undertake as part of its obligations relating to its EMR Functions.
Type of Change	Minor amendment of existing NGESO special licence condition
Existing NGESO special condition number	Sp2.1: EMR Arrangements
Equivalent GSP condition	None
Associated document(s)	None

4.55 The reason for amendments to this condition is to align the drafting in this condition with our FSO licence drafting principles including clarifying defined terms that appear in this condition.

4.56 The effect of the amendments is to improve the clarity of the licence condition.

C9: Procurement and use of Balancing Services

Condition	C9: Procurement and use of Balancing Services
Purpose	The purpose of this condition is to set out the processes and activities the licensee must undertake for the procurement of Balancing Services, used to assist in co-ordinating and directing the flow of electricity onto and over the National Electricity Transmission System (NETS) to facilitate compliance with the licensee's Primary Duty and Secondary Duty.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C16: Procurement and use of balancing services
Equivalent GSP condition	None
Associated document(s)	None

4.57 The reason for amendments to this condition is to align the drafting in this condition with our FSO licence drafting principles including clarifying defined terms that appear in this condition.

4.58 The effect of the amendments is to improve the clarity of the licence condition.

C10: Network Access Policy (NAP)

Condition	C10: Network Access Policy (NAP)
Purpose	The purpose of this condition is to set out the requirements upon the licensee to facilitate the development of, and to act consistently with, the Transmission Owners' NAP.
Type of Change	Minor amendment of existing NGESO special licence condition
Existing NGESO special condition number	Sp2.5: Network Access Policy
Equivalent GSP condition	None
Associated document(s)	None

4.55 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.56 The effect of the amendments is to improve the clarity of the licence condition.

C11: Requirements of a Connect and Manage Connection

Condition	C11: Requirements of a Connect and Manage Connection
Purpose	The purpose of this condition is to set out the requirements on the licensee on receipt of a Connect and Manage Application and in making a Connect and Manage Offer.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C26: Requirements of a connect and manage connection
Equivalent GSP condition	None
Associated document(s)	None

4.57 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.58 The effect of the amendments is to improve the clarity of the licence condition.

C12: Production of information about the National Electricity Transmission System

Condition	C12: Production of information about the National Electricity Transmission System
Purpose	The purpose of this condition is to: In Part A, set out the licensee’s obligations related to the Electricity Ten Year Statement (ETYS); in Part B, set out the procedures for revision of the ETYS; and in Part C, set out the licensee’s obligations to prepare a reasonable number of future scenarios describing the future system.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C11: Production of information about the national electricity transmission system
Equivalent GSP condition	None
Associated document(s)	None

4.59 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

- 4.60 The effect of the amendments is to improve the clarity of the licence condition.
- 4.61 We expect that the ongoing work on the CSNP may propose further amendments to, or a replacement for, this condition in the coming months, and we intend to consider these, and the timeline for that work as part of the ongoing development of the FSO's licences. Depending on how that work develops, we anticipate that the licence drafting proposed in this consultation could be superseded by those proposals for FSO Day 1. Ofgem intend to consult on licence drafting to implement the CSNP regulatory framework later this year, such that the associated licence changes could become part of the FSO Day 1 licence. We have therefore taken a low-change approach to the modernisation of this condition.

C13: The Network Options Assessment (NOA) process and reporting requirements

Condition	C13: The Network Options Assessment (NOA) process and reporting requirements
Purpose	<p>The purpose of this condition is to set out the licensee’s role in assessing options for the development of the National Electricity Transmission System (including Offshore Wider Works) and Interconnector capacity including setting out:</p> <p>in Part A, the methodology underpinning the NOA process, along with how this will be approved;</p> <p>in Part B, the requirements for the publication of the annual NOA report;</p> <p>in Part C, the licensee’s obligations regarding the provision of information underpinning the NOA process; and</p> <p>in Part D, the role the licensee will play in the early development of options and the circumstances in which the licensee will be required to do so.</p>
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C26: Network Options Assessment process and reporting requirements
Equivalent GSP condition	None
Associated document(s)	None

- 4.62 The reason for amendments to this condition is to align the drafting in this condition with our FSO licence drafting principles, and to remove the references to the original NOA report which has already been issued.
- 4.63 The effect of the amendments is to improve the clarity of the licence condition.
- 4.64 We expect that the ongoing work on the CSNP may propose further amendments to, or a replacement for, this condition in the coming months. Subject to consultation on the CSNP policy, we expect that this condition could be replaced by the licence conditions required to implement CSNP before or shortly after FSO Day 1. We have therefore taken a low-change approach to the modernisation of this condition.

C14: Electricity Network Innovation Strategy

Condition	C14: Electricity Network Innovation Strategy
Purpose	The purpose of this condition is to oblige the licensee to work with other parties to develop an Electricity Network Innovation Strategy.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B16: Electricity Network Innovation Strategy
Equivalent GSP condition	C9: Gas Network Innovation Strategy
Associated document(s)	None

4.65 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles, including clarifying definitions that only appear in this condition.

4.66 The effect of the amendments is to improve the clarity of the licence condition.

4.67 While this is the only licence condition we are currently consulting on that sets out the FSO’s obligations in relation to innovation, we plan to consider how the FSO is incentivised to facilitate innovation as part of the upcoming consultation that will include the financial provisions. This may lead to minor changes to this licence condition or the definitions associated with this licence condition.

Section D: Provision of advice and information

4.68 This section contains the licence conditions related to the FSO’s advice and information activities, including the FSO duty to provide advice to government and Ofgem, and the FSO’s power to request information from other industry parties.

4.69 This section contains:

- existing activities of NGENSO, where we haven’t proposed significant changes for the FSO;
- conditions that have been amended to reflect the FSO policy decisions; and
- new conditions to implement the FSO policy decisions.

D1: Provision of ISOP Advice

Condition	D1: Provision of ISOP Advice
Purpose	The purpose of this condition is to set out the licensee’s obligations and reporting requirements in connection with the provision of ISOP Advice.
Type of Change	New licence condition
Equivalent GSP condition	D1: Provision of ISOP Advice
Associated document(s)	None

4.70 The reason for introducing this condition is to set out the obligations in connection with the licensee providing ISOP Advice under clause 168 of the Energy Bill.

4.71 The effect of this condition is to ensure the licensee provides ISOP Advice and has regard to the ISOP Advice Process Document, and that it complies with the reporting requirements outlined in this condition.

4.72 Paragraph 5, which mirrors existing obligations in Provision of Information to the Authority conditions in the current licences, has been added to enable the common process where Ofgem plans to summarise information provided by the FSO, in this case as part of a request for advice, that there is an obligation on the licensee to provide comment to Ofgem on whether the summary that Ofgem has drafted accurately reflects their views. We have added this provision because we expect Ofgem are likely to need to occasionally summarise larger pieces of advice from the FSO as part of Ofgem decision documents.

D2: Information requests by the licensee

Condition	D2: Information requests by the licensee
Purpose	The purpose of this condition is to set out the obligations and requirements in connection with the licensee’s power to request information under clause 169 of the Energy Bill.
Type of Change	New licence condition
Equivalent GSP condition	D2: Information requests by the licensee
Associated document(s)	None

4.73 The reason for introducing this condition is to set out the obligations and requirements in connection with the FSO’s power to request information under clause 169 of the Energy Bill.

4.74 The effect of this condition is that the licensee will exercise its power under clause 169 of the Energy Bill and report on information requests in accordance with the requirements of this condition. This condition also provides for the ISOP Information Request Statement that sets out further detail on the process the licensee expects to follow when requesting information.

D3: Provision of information to the Authority

Condition	D3: Provision of information to the Authority
Purpose	The purpose of this condition is to set out the obligations by which the licensee provides information and reports to the Authority for the Authority to perform certain functions.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B4: Provision of information to the Authority
Equivalent GSP condition	D3: Provision of information to the Authority
Associated document(s)	None

4.75 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.76 The effect of the amendments is to improve the clarity of the licence condition.

D4: Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner

Condition	D4: Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner
Purpose	The purpose of this condition is to set out the information and assistance as is required by the Authority in relation to: in Part A, any application, offer, agreement or variation to contractual terms made under condition E12 (Requirement to offer terms) requiring the appointment of an Offshore Transmission Owner; and in Part B, the rationale for including Developer-Associated Offshore Wider Works in an offer made under paragraph 4 of condition E12 requiring the appointment of an Offshore Transmission Owner.
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	C25: Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner
Equivalent GSP condition	None
Associated document(s)	None

4.77 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.78 The effect of the amendments is to improve the clarity of the licence condition.

D5: Data assurance requirements

Condition	D5: Data assurance requirements
Purpose	The purpose of this condition is to set out the processes and activities the licensee must undertake to reduce the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority, and the processes the Authority will follow in issuing and amending the Data Assurance Guidance (DAG).
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B23: Data Assurance Requirements
Equivalent GSP condition	D4: Data assurance requirements
Associated document(s)	The Data Assurance Guidance (DAG)

4.79 The reasons for amending the existing condition is to align the drafting in this condition with our FSO licence drafting principles, and to align the drafting across the ESO and GSP licences, including clearer use of definitions.

4.80 The effect of the amendments is to improve the clarity of the licence condition.

D6: Regulatory Instructions and Guidance

Condition	D6: Regulatory Instructions and Guidance
Purpose	The purpose of this condition is to set out the scope, contents and common governance arrangements for the Regulatory Instructions and Guidance (RIGs).
Type of Change	Minor amendment of existing ET standard licence condition
Existing ET standard condition number	B15: Regulatory Instructions and Guidance
Equivalent GSP condition	D5: Regulatory Instructions and Guidance (RIGs)
Associated document(s)	Regulatory Instructions and Guidance

4.81 The reasons for amending the existing condition is to modernise and provide clarity on the FSO's obligations in relation to the Regulatory Instructions and Guidance (RIGs).

- 4.82 The effect is to establish the RIGs as the primary means by which the Authority directs the licensee to collect and provides the necessary information that the Authority needs to administer the conditions of the ESO licence and to prepare a RIGs Annual Report.

Section E: Industry codes and charging

- 4.83 This section of the FSO's ESO licence contains conditions for its obligations related to industry codes and network charging. This section contains only existing NGENSO conditions that have been modified for the FSO and no new conditions.
- 4.84 Given the ongoing work on Energy Code Reform¹⁸, we have aimed to only propose amendments to the conditions related to industry codes where required to implement the FSO policy decisions and the Elexon ownership decision. This has been done to avoid changing the conditions substantively several times in a short period.
- 4.85 It is our view that the FSO policy decisions have not had a significant impact on the existing NGENSO codes and charging obligations that will be transferred to the FSO, other than the Elexon ownership decision. Therefore, the majority of amendments to the conditions in this section are minor.

¹⁸ Further detail on Energy Code Reform can be found here: [Energy Code Reform | Ofgem](#)

E1: Balancing and Settlement Code (BSC)

Condition	E1: Balancing and Settlement Code (BSC)
Purpose	The purpose of this condition is to: in Part A, describe the Balancing and Settlement Code (BSC), which is a document that sets out terms between the BSC Parties; in Part B establish the requirements for modification of the BSC; in Part C, describe the self-governance route for modification of the BSC; in Part D, establish the requirements related to a Significant Code Review (SCR); and in Part E, establish the licensee's obligations in respect of the BSC Framework Agreement.
Type of Change	Significant Amendment to existing ET Standard Condition
Existing ET standard condition number	C3: Balancing and Settlement Code (BSC)
Equivalent GSP condition	None
Associated document(s)	None

4.86 The consultation on the future ownership of Elexon¹⁹ concluded that Elexon should remain in industry ownership, but that a temporary fallback option where Elexon will become a public body, owned by the FSO, would be retained. The consultation set out the policy intent that the obligation to own Elexon should move to the licences of the new owners, while the obligations to maintain the BSC and what the BSC should contain should move to the FSO from NGESO.

4.87 The reasons for amending this licence condition are:

- to implement the changes related to the policy decision to move Elexon into industry ownership;
- to reorder the paragraphs so that all the obligations related to a specific process are grouped together (for example all the SCR related obligations);

¹⁹ Further detail on the consultation can be found here: [The future ownership of Elexon - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

- to remove obligations related to Offshore Transmission Implementation period, which we believe are no longer required;
- to remove obligations related to the British Electricity Trading and Transmission Arrangements (BETTA) transition period, which we no longer believe are required; and
- to align the drafting in this condition with our FSO licence drafting principles.

- 4.88 The effect of these amendments is to implement the Elexon ownership policy decision and improve the clarity of the licence.
- 4.89 Note that in the preferred option where Elexon moves into industry ownership, paragraph 4 in the drafting is not required. In that case this paragraph would be removed and the paragraph numbering and references updated. If Elexon moves temporarily into public ownership with the FSO (known as the fallback option), then the drafting in paragraph 4 is required and the paragraph numbering will remain as drafted.
- 4.90 Paragraphs 7-11 of this condition were inserted by the Energy Market Investigation (Electricity Transmission Losses) Order 2016.²⁰ As these provisions were inserted by an order by the CMA, we believe they must be retained until the order is varied or revoked under the Enterprise Act 2002 (per section 1.4 of the order).
- 4.91 The marked version of the FSO ESO licence in Annex B includes a version of this condition with the original NGESO Standard Condition C3 paragraphs in the same order as they are in the new drafting to make the mark up legible. The original paragraph ordering can be found in the existing Electricity Transmission Standard Conditions.

²⁰ More information on The Energy Market Investigation (Electricity Transmission Losses) Order 2016 can be found on the Government website: [Energy market investigation - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

E2: Connection and Use of System Code (CUSC)

Condition	E2: Connection and Use of System Code (CUSC)
Purpose	<p>The purpose of this condition is to:</p> <ul style="list-style-type: none"> in Part A, describe the Connection and Use of System Code (CUSC), which is a document that sets out terms between the CUSC Parties; in Part B, establish the requirements for modification of the CUSC; in Part C, describe the self-governance route for modification of the CUSC; in Part D, establish the requirements related to a SCR; and in Part E, establish the licensee’s obligations in respect of the CUSC Framework Agreement.
Type of Change	Minor amendment to existing ET standard condition
Existing ET standard condition number	C10: Connection and Use of System Code (CUSC)
Equivalent GSP condition	None
Associated document(s)	None

4.92 The reasons for amending this licence condition are:

- to reorder the paragraphs so that all the obligations related to a specific process are grouped together (for example all the SCR related obligations);
- to remove obligations related to Offshore Transmission Implementation period, which we believe are no longer required;
- to remove obligations related to the BETTA transition period, which we believe are no longer required; and
- to align the drafting in this condition with our FSO licence drafting principles.

4.93 The effect of these amendments is to improve the clarity of the licence.

4.94 The marked version of the FSO ESO licence in Annex B includes a version of this condition with the original NGESO Standard Condition C10 paragraphs in the same order as they are in the new drafting to make the mark up legible. The original paragraph ordering can be found in the existing Electricity Transmission Standard Conditions.

E3: Grid Code

Condition	E3: Grid Code
Purpose	The purpose of this condition is to: in Part A, describe the Grid Code, which is a document that sets out terms between the Grid Code Parties; in Part B, establish the requirements for modification of the Grid Code ; in Part C, describe the self-governance route for modification of the Grid Code; in Part D, establish the requirements related to a SCR; and in Part E, establish the licensee’s obligations in respect of the Grid Code.
Type of Change	Minor amendment to existing ET standard condition
Existing ET standard condition number	C14: Grid Code
Equivalent GSP condition	None
Associated document(s)	None

4.95 The reasons for amending this licence condition are:

- to reorder the paragraphs so that all the obligations related to a specific process are grouped together (for example all the SCR related obligations);
- to remove obligations related to the BETTA transition period, which we believe are no longer required;
- to remove obligations related to Offshore Transmission Implementation period, which we believe are no longer required;
- to add sub-paragraph (b) in paragraph 15, correcting an error that was introduced in a previous version of the condition; and
- to align the drafting in this condition with our FSO licence drafting principles.

4.96 The effect of these amendments is to improve the clarity of the licence.

4.97 The marked version of the FSO ESO licence in Annex B includes a version of this condition with the original NGESO Standard Condition C14 paragraphs in the same order as they are in the new drafting to make the mark up legible. The

original paragraph ordering can be found in the existing Electricity Transmission Standard Conditions.

E4: System Operator – Transmission Owner Code

Condition	E4: System Operator – Transmission Owner Code
Purpose	The purpose of this condition is to: in Part A, describe the System Operator – Transmission Owner Code (STC), which is a document that sets out terms between the STC Parties; in Part B, establish the requirements for modification of the STC; in Part C, describe the self-governance route for modification of the STC; in Part D, establish the requirements related to a SCR; in Part E, establish the Code of Practice in respect of the STC; in Part F, describe how the STC can be modified by the licensee; and in Part F, establish the STC Framework Agreement.
Type of Change	Minor amendment to existing ET standard condition
Existing ET standard condition number	B12: System Operator – Transmission Owner Code
Equivalent GSP condition	None
Associated document(s)	None

4.98 The reasons for amending this licence condition are:

- to reorder the paragraphs so that all the obligations related to a specific process are grouped together (for example all the SCR related obligations);
- to add references to the licensee where required, as they will no longer be a transmission licensee;
- to remove obligations related to Offshore Transmission Implementation period, which we believe are no longer required;
- to combine 20(a) into a single subparagraph, correcting an error that was introduced in previous versions of the condition; and
- to align the drafting in this condition with our FSO licence drafting principles.

4.99 The effect of these amendments is to improve the clarity of the licence.

E5: Compliance with Distribution Codes

Condition	E5: Compliance with Distribution Codes
Purpose	The purpose of this condition is to establish the licensee’s obligations in relation to the Distribution Codes.
Type of Change	Minor amendment to existing ET standard condition
Existing ET standard condition number	C15: Compliance with Distribution Codes
Equivalent GSP condition	None
Associated document(s)	None

4.100 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.101 The effect of the amendments is to improve the clarity of the licence condition.

E6: Security arrangements

Condition	E6: Security arrangements
Purpose	The purpose of this condition is to set out the licensee’s obligations in relation to security arrangements.
Type of Change	Minor amendment to Existing ET standard condition
Existing ET standard condition number	B11: Security arrangements
Equivalent GSP condition	None
Associated document(s)	None

4.102 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.103 The effect of the amendments is to improve the clarity of the licence condition.

4.104 We expect that government may make further consequential amendments to the Electricity Act 1989, subject to the passage of the Energy Bill through parliament. We will update the wording in this condition in accordance with any amendments to Sections 34 and 35 of the Electricity Act 1989 if required.

E7: Transmission system security standard and quality of service

Condition	E7: Transmission system security standard and quality of service
Purpose	The purpose of this condition is to establish the licensee’s obligations in relation to the National Electricity Transmission System Security and Quality of Supply Standard.
Type of Change	Minor amendment of existing ET standard condition
Existing ET standard condition number	C17: Transmission system security standard and quality of service
Equivalent GSP condition	None
Associated document(s)	None

4.105 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles including removing paragraphs related to the Authority approving the first instance of the Frequency Risk and Control Report as this has already occurred and we believe the paragraphs are no longer required.

4.106 The effect of the amendments is to improve the clarity of the licence condition.

E8: SO-TO Optimisation Governance

Condition	E8: SO-TO Optimisation Governance
Purpose	The purpose of this condition is to set out the requirements upon the licensee to act consistently with the SO-TO Optimisation Governance.
Type of Change	Minor amendment of existing ET standard condition
Existing NGESO special condition number	Sp2.13: SO-TO Optimisation Governance
Equivalent GSP condition	None
Associated document(s)	SO-TO Optimisation Governance

4.107 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.108 The effect of the amendments is to improve the clarity of the licence condition.

E9: Duty to Cooperate

Condition	E9: Duty to Cooperate
Purpose	<p>The purpose of this condition is to set out the licensee’s obligations to cooperate when it has followed any guidance as set out by a SCR or entered into a framework agreement or otherwise acceded to any and all of the following:</p> <ul style="list-style-type: none"> (a) the Grid Code, (b) the Distribution Code, (c) the Connection and Use of System Code (CUSC), (d) the Balancing and Settlement Code (BSC), (e) the System Operator – Transmission Owner Code (STC).
Type of Change	Minor amendment to existing ET standard condition
Existing ET standard condition number	C19: Duty to cooperate
Equivalent GSP condition	None
Associated document(s)	None

4.109 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.110 The effect of the amendments is to improve the clarity of the licence condition.

E10: Use of System charging and methodology

Condition	E10: Use of System charging and methodology
Purpose	The purpose of this condition is to establish the licensee’s obligations relating to the Use of System Charges, and to conform to the Use of System Charging Methodology as modified in accordance with Part B of this condition and condition E2 (CUSC).
Type of Change	Minor amendment to existing ET standard conditions
Existing ET standard condition numbers	C4: Charges for use of system C5: Use of system charging methodology C5A: Use of system charging requirements under the Electricity Directive
Equivalent GSP condition	None
Associated document(s)	None

4.111 The reason for amending this condition is to combine related obligations into one condition, and to align the drafting in this condition with our FSO licence drafting principles.

4.112 The effect of the amendments is to improve the clarity of the licence condition.

E11: Connection Charging Methodology

Condition	E11: Connection Charging Methodology
Purpose	The purpose of this condition is to establish the licensee’s duties relating to the Connection Charging Methodology: <ul style="list-style-type: none"> in Part A, a description of the Connection Charging Methodology; in Part B, a description of Connection Charges; in Part C, a description of the Connection Charging Methodology statement; and in Part D, setting out the Connection Charging requirements under the Electricity Directive.
Type of Change	Minor amendment to existing ET standard conditions
Existing ET standard condition numbers	C6: Connection charging methodology C6A: Connection charging requirements under the Electricity Directive
Equivalent GSP condition	None
Associated document(s)	None

4.113 The reason for amending this condition is to combine related obligations into one condition, and to align the drafting in this condition with our FSO licence drafting principles.

4.114 The effect of the amendments is to improve the clarity of the licence condition.

E12: Requirement to offer terms

Condition	E12: Requirement to offer terms
Purpose	The purpose of this condition is to set out the requirements on application for connection, the expectations to offering or entering into an agreement, and the timeframes for which the licensee must follow.
Type of Change	Minor amendment to existing ET standard condition
Existing ET standard condition number	C8: Requirement to offer terms
Equivalent GSP condition	None
Associated document(s)	None

4.115 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.116 The effect of the amendments is to improve the clarity of the licence condition.

E13: Functions of the Authority

Condition	E13: Functions of the Authority
Purpose	The purpose of this condition is to set out the licensee's obligations with respect to disputes to be settled by the Authority.
Type of Change	Minor amendment to existing NGESO special condition
Existing ET standard condition number	C9: Functions of the Authority
Equivalent GSP condition	None
Associated document(s)	None

4.117 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.118 The effect of the amendments is to improve the clarity of the licence condition.

4.119 This condition includes provisions related to Relevant Agreements; it is our understanding there are still Relevant Agreements in place and therefore these provisions need to remain.

E14: Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations

Condition	E14: Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations
Purpose	The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges it imposes when carrying on its licensed activities and to raise such amounts as are specified by the Secretary of State in a Shortfall Direction: (a) from the persons, and (b) in the manner, specified in such Shortfall Direction, and to pay such amounts to the Shortfall Payment Recipients specified in the Shortfall Direction.
Type of Change	Minor amendment to existing NGESO special condition
Existing ET standard condition number	C24: Energy Administration, Energy Supply Company Administration and Smart Meter Communication Licensee Administration: National Electricity Transmission System Operator Shortfall Contribution Obligations
Equivalent GSP condition	None
Associated document(s)	None

4.120 The reason for amending this condition is to align the drafting in this condition with our FSO licence drafting principles.

4.121 The effect of the amendments is to improve the clarity of the licence condition.

E15: Assistance for Areas with High Distribution Costs Scheme (AAHDCS)

Condition	E15: Assistance for Areas with High Distribution Costs Scheme (AAHDCS)
Purpose	The purpose of this condition is to establish: (a) the restriction on revenue, (b) payments from Authorised Suppliers, (c) payments to a Relevant Distributor; and (d) an annual statement, in relation to the Assistance for Areas with High Distribution Costs Scheme (AAHDCS).
Type of Change	Minor change to existing ET standard conditions
Existing ET standard condition number	C20: Assistance for areas with high distribution costs scheme: restriction on revenue C21: Assistance for areas with high distribution costs scheme: payments from authorised suppliers C22: Assistance for areas with high distribution costs scheme: payments to a relevant distributor C23: Assistance for areas with high distribution costs scheme: annual statement
Equivalent GSP condition	None
Associated document(s)	None

4.122 The reason for amending this condition is to combine related obligations into one condition and to align the drafting in this condition with our FSO licence drafting principles.

4.123 The effect of the amendments is to improve the clarity of the licence condition.

Section 5: Proposed Gas System Planner Licence

Section summary

This section sets out the rationale and approach taken to draft the licence conditions in the Gas System Planner (GSP) Licence.

Questions

Q2. Does the draft GSP licence capture the policy intent set out by the joint 'Proposals for a Future System Operator' and 'Future System Operator: second policy consultation and project update' consultations?

Reason and effect for proposed Gas System Planner Licence conditions

- 5.1 This section sets out the draft licence conditions we are consulting on in the FSO's GSP licence in the order they appear in that licence. We have set out the purpose of each condition, whether it is new or based on existing provisions, and the equivalent condition in the FSO's ESO licence if applicable. Where we have indicated that there is an associated document related to the licence condition, we mean an Ofgem owned document.
- 5.2 While we expect that most of the licence conditions related to the financial provisions that we plan to consult on later in the year will be in sections F and G of the FSO's GSP licence, some conditions (for example Payments to the Authority if that condition is deemed required for the FSO) could be added to one of sections A – E as appropriate. The layout and split of sections provided here is liable to change ahead of the future statutory consultation.
- 5.3 Unlike the FSO's Electricity System Operator (ESO) licence, there will not be a licensing transfer scheme for the provisions in the GSP licence. The GSP licence will be a new licence granted by the Secretary of State of the Department of Energy, Security and Net Zero (DESNZ) under the Gas Act 1986 (with this power to the Secretary of State provided for in the provisions of the Energy Bill).
- 5.4 However, in order to maintain consistency in Ofgem's regulatory regime, some conditions in this licence mirror and reflect existing licence obligations that exist for other licensed parties. The reasons and effects outlined below highlight where and why changes have been proposed in this licence compared to any existing relevant licence obligation(s).

Section A: Definitions and interpretation

- 5.5 This section sets out the definitions and interpretation provisions for the licence. This includes the defined terms used in this licence, and provisions to support the interpretation of licence conditions, clauses and the powers of the Authority in respect of the licence (e.g., in issuing directions).
- 5.6 This section also sets out the process for making licence modifications for housekeeping changes. This process reflects that which exists across Ofgem’s regulatory regime in the licences of other licensed parties, including the ESO.
- 5.7 We are determining whether a licence condition that mirrors the existing ‘Payments by the Licensee to the Authority’ is needed here, which may be consulted on alongside the financial provisions.

A1: Definitions

Condition	A1: Definitions
Purpose	The purpose of this condition is to set out the defined terms that are used in the conditions of this licence (all of which are capitalised throughout these conditions).
Type of Change	Mirrored existing Gas Transporter (GT) special licence condition and significant amendments to condition, definitions and defined terms.
Existing GT Licence Condition	SSC A3: Definitions and Interpretation
Equivalent ESO condition	A1: Definitions
Associated document(s)	None

- 5.8 The reasons for adding and amending the existing conditions are to:
- separate the definition section from the interpretation section;
 - remove defined terms not required for the FSO’s GSP licence;
 - add new defined terms required for the FSO’s GSP licence; and
 - add existing definitions from the existing GT licence and amend for the FSO’s GSP licence.
- 5.9 The effect of the amendments is to improve the clarity of the licence.
- 5.10 We expect that further definitions will be required once the financial provisions in the FSO’s licences have been drafted, and we plan to consult on those definitions alongside those draft licence conditions later this year.

A2: Interpretation

Condition	A2: Interpretations
Purpose	The purpose of this condition is to set out the provisions of general interpretation for the conditions of this licence. Note that other provisions exist in the terms of this licence.
Type of Change	Mirrored existing GT special licence condition and significant amendments.
Existing GT Licence Condition	SSC A3: Definitions and Interpretation
Equivalent ESO condition	A2: Interpretation
Associated document(s)	None

5.11 The reasons for adding and amending the existing condition are to:

- separate the definition section from the interpretation section;
- remove interpretation provisions not required for the FSO’s GSP licence;
- add new interpretation provisions required for the FSO’s GSP licence;
- amend existing interpretations from the existing licences for the FSO’s GSP licence; and
- align the interpretation provisions across the ESO and GSP licences.

5.12 The effect of the amendments is to improve the clarity of the licence.

5.13 We expect that further interpretation provisions will be required once the financial provisions in the FSO’s licences have been drafted, and we plan to consult on those provisions alongside those draft licence conditions later this year.

A3: Housekeeping licence modifications

Condition	A3: Housekeeping licence modifications
Purpose	The purpose of this condition of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.
Type of Change	Mirrored existing GT standard special licence condition and minor amendments.
Existing GT Licence Condition	SSC A3: Housekeeping licence modifications
Equivalent ESO condition	A3: Housekeeping licence modifications
Associated document(s)	None

- 5.14 The reason for adding and amending the existing condition is to modify provisions on housekeeping licence modifications to be appropriate and effective for the FSO’s GSP licence.
- 5.15 The effect of the amendments is to ensure there is a process for making housekeeping modifications to the conditions of the FSO’s licences, and to include necessary references to the Energy Bill where appropriate.

Section B: Business conduct and independence

- 5.16 This section of the licence relates to licence conditions that provide obligations to ensure the FSO’s independence from industry, and the conduct of its business activity.
- 5.17 This section also covers procedures related to the FSO’s operations, including obligations on the FSO to comply with directions related to national security.
- 5.18 Condition B6 of this licence also introduces provisions on protecting confidential data and confidential information within the FSO. This includes ringfencing provisions and obligations on the licensee in respect of disclosure of data, which replaces the previous System Operator Functions Information (SOFI) provisions in the ESO Special Conditions.

B1: Independence Requirements and compliance obligations

Condition	B1: Independence Requirements and compliance obligations
Purpose	<p>The purpose of this condition is to establish the Independence Requirements and compliance obligations in respect of the ISOP Business, as follows:</p> <p>Part A sets out the Independence Requirements that the licensee must comply with when undertaking ISOP Business;</p> <p>Part B sets out the requirements for the appointment of Sufficiently Independent Directors;</p> <p>Part C sets out obligations related to Transitional Services;</p> <p>Part D sets out the requirement for an Independence Statement;</p> <p>Part E sets out the requirements for the appointment of a Compliance Officer and compliance reporting; and</p> <p>Part F provides for the licensee to apply for a derogation for relief from its obligations under this condition.</p>
Type of Change	Mirrored existing GT special licence conditions but significant amendments made to reflect changes to FSO’s independence and governance requirements
Existing GT Licence Conditions	<p>SSC A33: Restriction on Use of Certain Information and Independence of the Transportation Business</p> <p>SSC A34: Appointment of Compliance Officer</p> <p>SSC A42: Requirement for sufficiently independent directors</p>
Equivalent ESO condition	B1: Independence Requirements and compliance obligations
Associated document(s)	None

5.19 The reasons for adding and amending the existing conditions is to reflect the new operational model of the FSO, including expectations and requirements for enabling its independence.

5.20 The effect of amending the existing conditions is to combine and provide clarity on obligations Sufficiently Independent Directors and the independence requirements for the FSO.

5.21 We are expecting that Part C in this condition will provide further obligations and requirements relating to transitional services. We are expecting to provide provisions on this as part of our future consultation later this year.

B2: Restriction on activity and financial ring fencing

Condition	B2: Restriction on activity and financial ring fencing
Purpose	The purpose of this condition is to establish: in Part A, the restrictions on activity, shareholding and other investments of the licensee; and in Part B, limitations in respect of the licensee conducting or an ISOP Associate conducting ancillary functions.
Type of Change	Mirrored existing GT special licence condition and significant amendments.
Existing GT Licence Condition	SSC A36: Restriction on Activity and Financial Ring Fencing
Equivalent ESO condition	B2: Restriction on activity and financial ring fencing
Associated document(s)	None

5.22 The reasons for adding and amending the existing condition is to reflect the new operational and governance model of the FSO, and how the performance of its functions is treated in the overall regulatory framework.

5.23 The effect of the amendments is for this condition to provide necessary restrictions on the FSO on shareholding, activity and other investments, as well as the treatment of the FSO’s functions (and ancillary functions).

B3: Conduct of ISOP Business

Condition	B3: Conduct of ISOP Business
Purpose	The purpose of this condition is to establish the licensee’s obligations in respect of the conduct of its ISOP Business, and avoidance of discriminatory or preferential behaviour.
Type of Change	Mirrored existing GT special licence condition and significant amendments.
Existing GT Licence Condition	SSC A6: Conduct of Transportation Business
Equivalent ESO condition	B3: Conduct of ISOP Business
Associated document(s)	None

5.24 The reasons for adding and amending the existing condition is to ensure this condition in relation to the conduct of business and functions, reflects the performance of functions across the whole system, and the FSO new operational and governance model.

5.25 The effect of the amendments is that the FSO must conduct its functions and business in a manner best calculated to secure that persons operating across gas and electricity do not obtain any unfair commercial advantage in the circumstances specified by this licence condition, nor does the FSO unduly restrict, prevent or distort competition in gas and electricity.

B4: Compliance with directions related to national security

Condition	B4: Compliance with directions related to national security
Purpose	The purpose of this condition is to require the licensee to comply with directions issued by the Secretary of State where there is a risk relating to national security that may detrimentally impact the resilience, safety or security of the energy system, or the continuity of essential services.
Type of Change	New licence condition
Equivalent ESO condition	B4: Compliance with directions related to national security
Associated document(s)	None

5.26 The reason for introducing this condition is to establish the FSO policy on the FSO responding to directions related to national security.

5.27 The effect of this condition is that the licensee will take certain actions when complying with directions from the Secretary of State where there is a risk relating to national security that may detrimentally impact the resilience, safety or security of the energy system, or the continuity of essential services, and it is in the interest of national security that a direction should be issued to the FSO.

B5: Prohibition of cross-subsidies

Condition	B5: Prohibition of cross-subsidies
Purpose	The purpose of this condition is to establish restrictions on the provision and receipt of cross-subsidies by and to the licensee.
Type of Change	Mirrored existing GT special licence condition and minor amendments.
Existing GT Licence Condition	SSC A35: Prohibition of Cross-Subsidies
Equivalent ESO condition	B5: Prohibition of cross-subsidies
Associated document(s)	None

5.28 The reasons for amending the existing condition is to ensure the prohibition of cross-subsidies is appropriate for the FSO's new operational and governance model.

5.29 The effect of the amendments is that the FSO must not give any cross-subsidy to, or receive any cross-subsidy from, an ISOP Affiliate or ISOP Related Undertaking.

B6: Information ringfencing requirements

Condition	B6: Information ringfencing requirements
Purpose	The purpose of this condition is to ensure that the licensee appropriately manages and secures information that relates to the licensee's performance of its functions.
Type of Change	New licence condition
Equivalent ESO condition	B8: Information ringfencing requirements
Associated document(s)	None

5.30 The reason for introducing this condition is to establish the obligations on the FSO related to appropriately securing and managing sensitive information related to the performance of certain functions.

5.31 The effect of this condition is that the licensee will identify the data and confidential information it holds that should not be disclosed to persons not engaged with the delivery of the ISOP Business and put in place and maintain a code of conduct governing the disclosure of such information.

Section C: Strategic and operational functions

5.32 This section of the licence relates to the FSO's gas functions to be performed under its Gas System Planner Licence. This includes its role in gas strategic planning and market strategy, and a condition providing for the ISOP Roles Guidance.

5.33 There are licence conditions in this section that also cover functions related to digitalisation, system security and resilience, and the FSO's advisory and information request powers.

5.34 New conditions under this section reflect the new functions in gas that the FSO will deliver, as set out in the FSO second policy consultation and update in August 2023. Whilst we are enabling the FSO to deliver a gas forecasting function on Day 1, the specific design detail of its supply and demand modelling is linked to ongoing Ofgem work on the Centralised Strategic Network Plan (CSNP) and Future Energy Scenarios (FES). We are aiming to consult on the relevant gas forecasting licence condition (and any other new obligations or amendments if

necessary) and later this year following the further development of the CSNP and FES work.

C1: Functions under the Gas System Planner Licence

Condition	C1: Functions under the Gas System Planner Licence
Purpose	The purpose of this condition is to ensure the licensee carries out its functions under this Gas System Planner Licence, in compliance with the licensee’s Primary Duty and Secondary Duty.
Type of Change	New licence condition
Equivalent ESO condition	C1: Functions under the Electricity System Operator licence
Associated document(s)	ISOP Roles Guidance

5.35 The reason for introducing this condition is to mirror the existing electricity condition on licensed functions and establish how the FSO’s gas functions relate to the performance and regulation of the FSO’s duties.

5.36 The effect of this condition is to provide clarity on the licensee’s functions and obligations, and set out the process Ofgem will follow in issuing and amending the ISOP Roles Guidance that will cover the FSO’s roles across its ESO and GSP licences.

C2: Licensee’s regard to Strategy and Policy Statement

Condition	C2: Licensee’s regard to Strategy and Policy Statement
Purpose	The purpose of this condition is for the licensee to carry out its functions and act in accordance with obligations set out in respect of the Strategy and Policy Statement.
Type of Change	New licence condition
Equivalent ESO condition	C2: Licensee’s regard to Strategy and Policy Statement
Associated document(s)	None

5.37 The reason for introducing this licence condition is to set out that the FSO must carry out its functions in accordance with obligations related to the Strategy and Policy Statement (SPS).

5.38 The effect of this licence condition is to obligate the FSO to carry out its functions in accordance with obligations set out in the Strategy and Policy Statement.

C3: Digitalisation

Condition	C3: Digitalisation
Purpose	The purpose of this condition is to set out the licensee’s obligations to: in Part A, have and update a Digitalisation Strategy; in Part B, have and update a Digitalisation Action Plan; in Part C, comply with the DSAP Guidance; and in Part D, comply with Data Best Practice Guidance.
Type of Change	Mirrored existing GT special licence condition and minor amendments.
Existing GT Licence Condition	SpC 9.5: Digitalisation
Equivalent ESO condition	C3: Digitalisation
Associated document(s)	None

5.39 The reason for adding and amending this existing condition is to provide the necessary digitalisation obligations in the FSO’s GSP licence. We have aligned the drafting in this condition with our FSO licence drafting principles and removed references to how Ofgem will issue the first instance of the DSAP Guidance and Data Best Practice Guidance that are no longer required since these have already been issued by Ofgem. We have also removed references to the dates by which the Digitalisation Action Plan and Digitalisation Strategy will be published by the licensee since these have already been published.

5.40 The effect of the amendments is to:

- Align the drafting with the equivalent ESO licence condition; and
- Improve the clarity of the licence.

C4: Licensee’s assessment of gas supply security

Condition	C4: Licensee's assessment of gas supply security
Purpose	The purpose of this condition is to set out obligations on the licensee to produce its Gas Supply Security Assessment.
Type of Change	New licence condition to reflect FSO’s duty to promote security of supply, and the production of a Gas Supply Security Assessment as proposed in the Energy Security Plan.
Equivalent ESO condition	None
Associated document(s)	None

5.41 The reason for introducing this condition is to reflect policy proposed as part of the Energy Security Plan for the FSO to produce a medium-long term gas supply security assessment.

5.42 The effect of this condition is that the licensee will produce its Gas Supply Security Assessment, which includes consideration of gas supplies against scenarios at future 5 year and 10 year time intervals.

C5: Licensee's obligations regarding critical national infrastructure

Condition	C5: Licensee’s obligations regarding critical national infrastructure
Purpose	The purpose of this condition is to ensure the licensee supports the identification of critical national infrastructure and reviews and applies methodologies where the Secretary of State may request.
Type of Change	New licence condition
Equivalent ESO condition	C6: Licensee’s obligations regarding critical national infrastructure
Associated document(s)	None

5.43 The reason for introducing this licence condition is to implement the FSO policy decision that the FSO support the identification of critical national infrastructure where requested by the Secretary of State, as set out in the FSO policy consultation.

5.44 The effect of this condition is that the FSO is required to respond to requests received from the Secretary of State to:

- review methodologies for the identification of critical national infrastructure; and
- apply a methodology to identify sites and assets of critical national infrastructure when the Secretary of State requests.

C6: Energy resilience and resilience reporting

Condition	C6: Energy resilience and resilience reporting
Purpose	The purpose of this condition is to ensure the licensee appropriately promotes and supports the resilience, security and flexibility of the whole energy system.
Type of Change	New licence condition
Equivalent ESO condition	C7: Energy resilience and resilience reporting
Associated document(s)	None

5.45 The reason for introducing this condition is to reflect the policy for the FSO to deliver and perform functions in respect of energy system resilience.

5.46 The effect of this condition is to provide the licensee’s obligations in connection with supporting whole system energy resilience, and producing regular reports and assessments on energy system risks and resilience.

C7: Arrangements in coordinating market strategy

Condition	C7: Arrangements in coordinating market strategy
Purpose	The purpose of this condition is to set out the licensee’s obligations to support the progression and development of energy markets in compliance with the discharge of the Primary Duty and Secondary Duty.
Type of Change	New licence condition
Equivalent ESO condition	None
Associated document(s)	None

5.47 The reason for introducing this condition is to enable the performance of the FSO’s gas market strategy function, including Future of Gas (FoG) forums and Gas Market Action Plan (GMAP) projects.

5.48 The effect of this condition is for the licensee to establish or utilise a suitable forum to coordinate future energy market developments, and produce the necessary outputs to progress these changes.

C8: Gas strategic network planning

Condition	C8: Gas strategic network planning
Purpose	The purpose of this condition is to set out the licensee’s obligations in relation to performing its gas strategic planning functions.
Type of Change	New licence condition
Equivalent ESO condition	None
Associated document(s)	None

5.49 The reason for introducing this condition is to enable and provide obligations in respect of the FSO’s gas strategic planning function and delivery of the gas strategic planning process.

5.50 The effect of this condition is for the licensee to coordinate its strategic gas planning process, which includes the preparation of a Gas Network Capability Needs Report and Gas Options Assessment Document.

C9: Gas Network Innovation Strategy

Condition	C9: Gas Network Innovation Strategy
Purpose	The purpose of this condition is to oblige the licensee to work with other parties to develop a Gas Network Innovation Strategy.
Type of Change	Mirrored existing GT standard special licence condition and minor amendments.
Existing GT Licence Condition	SSC A28: Gas Network Innovation Strategy
Equivalent ESO condition	B16: Electricity Network Innovation Strategy
Associated document(s)	None

5.51 The reason for adding and amending this condition is to align the drafting in this condition with the Electricity Network Innovation Strategy licence condition in the FSO’s ESO licence, and provide clarification on definitions that only appear in this condition.

- 5.52 The effect of the amendments is to improve the clarity of the licence condition, and provide obligations in the FSO’s gas and electricity conditions to produce Gas and Electricity Network Innovation Strategies respectively.
- 5.53 While this is the only licence condition we are currently consulting on that sets out the FSO’s obligations in relation to innovation, we plan to consider how the FSO is incentivised to facilitate innovation as part of the upcoming consultation that will include the financial provisions. This may lead to minor changes to this licence condition or the definitions associated with this licence condition.

Section D: Provision of advice and information services

- 5.54 This section contains the licence conditions related to the FSO’s advice and information activities, including the FSO’s duty to provide advice to government and Ofgem, and the FSO’s power to request information from other industry parties.
- 5.55 This section also contains conditions related to regulatory reporting and data assurance requirements, which reflect the existing regulatory framework in the licences of other parties (e.g. the Regulatory Instructions and Guidance (RIGs) and Data assurance requirements conditions).

D1: Provision of ISOP Advice

Condition	D1: Provision of ISOP Advice
Purpose	The purpose of this condition is to set out the licensee’s obligations and reporting requirements in connection with the provision of ISOP Advice.
Type of Change	New licence condition
Equivalent ESO condition	D1: Provision of ISOP Advice
Associated document(s)	None

- 5.56 The reason for introducing this condition is to set out the obligations in connection with the licensee providing ISOP Advice under clause 168 of the Energy Bill.
- 5.57 The effect of this condition is to ensure the licensee provides ISOP Advice and has regard to the ISOP Advice Process Document, and that it complies with the reporting requirements outlined in this condition.
- 5.58 Paragraph 5, which mirrors existing obligations in Provision of Information to the Authority conditions in the current licences, has been added to enable the

common process where Ofgem plans to summarise information provided by the FSO, in this case as part of a request for advice, that there is an obligation on the licensee to provide comment to Ofgem on whether the summary that Ofgem has drafted accurately reflects their views. We have added this provision because we expect Ofgem are likely to need to occasionally summarise larger pieces of advice from the FSO as part of Ofgem decision documents.

D2: Information requests by the licensee

Condition	D2: Information requests by the licensee
Purpose	The purpose of this condition is to set out the obligations and requirements in connection with the licensee's power to request information under clause 169 of the Energy Bill.
Type of Change	New licence condition
Equivalent ESO condition	D2: Information requests by the licensee
Associated document(s)	None

- 5.59 The reason for introducing this condition is to set out the obligations and requirements in connection with the FSO's power to request information under clause 169 of the Energy Bill.
- 5.60 The effect of this condition is that the licensee will exercise its power under clause 169 of the Energy Bill and report on information requests in accordance with the requirements of this condition. This condition also provides for the ISOP Information Request Statement that sets out further detail on the process the licensee expects to follow when requesting information.

D3: Provision of information to the Authority

Condition	D3: Provision of information to the Authority
Purpose	The purpose of this condition is to set out the obligations by which the licensee provides information and reports to the Authority for the Authority to perform certain functions.
Type of Change	Mirrored existing licence condition and minor amendments made to reflect more appropriate language for the establishment of the FSO, including addition of language used in the existing ET Standard licence condition.
Existing GT Licence Condition	SSC A26: Provision of Information to the Authority
Equivalent ESO condition	D3: Provision of information to the Authority
Associated document(s)	None

- 5.61 The reason for adding and amending this existing condition is to establish the provision of information to the Authority obligations appropriately for the FSO, including the removal of certain provisions due to the new FSO operational model.
- 5.62 The effect is that the provisions relating to ultimate controller and information covenant in the existing gas condition have not been carried over for the FSO. The effect of the changes also include mirroring the equivalent ESO condition obligations on the FSO providing the Authority with information for the purposes of performing:
- any functions transferred to or conferred on the Authority by or under the Utilities Act 2000; and
 - the regulatory functions conferred on the Authority by or under any other statute or enactment.

D4: Data assurance requirements

Condition	D4: Data assurance requirements
Purpose	The purpose of this condition is to set out the processes and activities the licensee must undertake to reduce the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority, and the processes the Authority will follow in issuing and amending the Data Assurance Guidance (DAG).
Type of Change	Mirrored existing GT special licence condition and minor amendments.
Equivalent ESO condition	D5: Data assurance requirements
Associated document(s)	The Data Assurance Guidance (DAG)

5.63 The reasons for adding and amending the existing condition is to align the drafting in this condition with our FSO licence drafting principles, and to align the drafting across the ESO and GSP licences, including clearer use of definitions.

5.64 The effect of the amendments is to improve the clarity of the licence condition.

D5: Regulatory Instructions and Guidance (RIGs)

Condition	D5: Regulatory Instructions and Guidance (RIGs)
Purpose	The purpose of this condition is to set out the scope, contents and common governance arrangements for the Regulatory Instructions and Guidance (RIGs).
Type of Change	Mirrored existing GT licence condition and minor amendments.
Existing GT Licence Condition	SSC A40: Regulatory Instructions and Guidance (RIGs)
Equivalent ESO condition	D6: Regulatory Instructions and Guidance (RIGs)
Associated document(s)	Regulatory Instructions and Guidance

5.65 The reasons for adding and amending the existing condition is to modernise and provide clarity on the FSO's obligations in relation to the Regulatory Instructions and Guidance (RIGs).

- 5.66 The effect is to establish the RIGs as the primary means by which the Authority directs the licensee to collect and provide the necessary information that the Authority needs to administer the conditions of the GSP licence and to prepare a RIGs Annual Report.

Section E: Industry codes and charging

- 5.67 This section contains licence obligations related to the FSO's relationship with the Uniform Network Code (UNC).
- 5.68 In the DESNZ and Ofgem Second Policy Consultation and Update, we set out our consideration for the FSO to become a new class of user in the UNC from FSO Day 1. These licence obligations have been drafted to reflect that consideration, including the ability to propose modifications to market arrangements, and other arrangements related to being a UNC signatory.
- 5.69 We are also considering further licence obligations that may be required in this section of the GSP licence related to industry codes, data sharing and engagement between the FSO and National Gas Transmission (NGT). This would be to support processes like the gas strategic planning process described in section C. Any further licence obligations that we determine are necessary here will be consulted on later this year.
- 5.70 As discussed in section E of the ESO licence, we have aimed to only propose amendments to the conditions related to industry codes here where required to implement the FSO policy decisions, without prejudice to the ongoing work on Energy Code Reform.

E1: Obligations regarding the Uniform Network Code

Condition	E1: Obligations regarding the Uniform Network Code
Purpose	The purpose of this condition is to establish appropriate obligations on the licensee in respect of arrangements related to the Uniform Network Code, including obligations due to the requirement on the licensee to enter into or accede to the Uniform Network Code.
Type of Change	New licence condition
Equivalent ESO condition	None
Associated document(s)	None

- 5.71 The reason for introducing this condition is to establish obligations in respect of the FSO's proposed relationship to the UNC.
- 5.72 The effect of this condition is to enable the FSO to support the arrangements and functioning of the UNC, including cooperation with the Authority where necessary.

Section 6: Associated documents and consequential impacts

Section summary

This section sets out the proposed approach to associated documents and consequential impacts on other licensees

Questions

- Q3. Do you have any other views or comments relating to the proposed approach to associated documents?
- Q4. Have we correctly identified the major consequential impacts of the FSO licence proposals on other licences? Any further comments are welcome.

Associated documents

- 6.1 We are not proposing to create any new associated documents as part of the FSO licence, but we believe that the FSO proposals will impact existing associated documents.
- 6.2 The table below lists the impacted associated documents and the expected impact. This list is not a final list, and the expectation may change between this consultation and the future statutory consultation.
- 6.3 When we refer to associated documents in this document (including in the table below) we mean documents published by Ofgem that are associated with the licences or regulatory framework.

Consultation –

Table 1: Associated documents and expected proposed amendments

Document Name	Relevant FSO licence condition(s)	Type of amendment	Summary of expected proposed amendments
ISOP roles guidance (currently the ESO roles guidance)	ESO condition C1 Functions of the Electricity System Operator GSP condition C1 Functions of the Gas System Planner	Significant amendment	Integration of new activities (including gas activities) and the relevant expectations into the 3 roles set out in the ESO roles guidance. Creation of Role 4 'Energy System Insight' which will include providing advice to government and the Ofgem
Independent System Operator and Planner Reporting and Incentive Arrangements (currently the Electricity System Operator Reporting and Incentive Arrangements)	To be confirmed as part of the financial consultation	To be determined	To be confirmed as part of the financial consultation
Regulatory Instructions and Guidance	ESO condition D6 Regulatory Instructions and Guidance GSP condition D5 Regulatory Instructions and Guidance	To be determined	To be confirmed as part of the financial consultation
Data Assurance Guidance (DAG)	ESO condition D5 Data assurance requirements GSP condition D4 Data assurance requirements	Minor amendment	References to NGESO will need to be appropriately updated to refer to the FSO.

Consultation - Future System Operator draft licences consultation

Price control financial handbook (PCFH)/ Price control financial model (PCFM)	To be confirmed as part of the financial consultation	If required, likely to be significant amendment	To be confirmed as part of the financial consultation
DSAP Guidance	ESO condition C3 Digitalisation GSP condition C3 Digitalisation	Minor amendment	The references to licence conditions and Electricity Act 1989 and Gas Act 1986 will need to be updated to add the references to the ESO and GSP licences.
Data Best Practice Guidance	ESO condition C3 Digitalisation GSP condition C3 Digitalisation	Minor amendment	References to NGESO's licence will need to be removed and references to the FSO's ESO and GSP licences will need to be added.
Ofgem enforcement guidelines	ESO condition D2 Information requests by the licensee GSP condition D2 Information requests by the licensee	To be determined	We are considering whether it is appropriate to set out Ofgem's planned approach to enforcement of other licensee's compliance with request for information by the FSO in relation to the FSO's functions.
SO-TO Optimisation Governance	ESO condition E8 SO-TO Optimisation Governance	Minor amendment	References to the ESO and NGESO's licence conditions will need to be updated

- 6.4 Because many of these documents are linked to the approach to the FSO’s price control, we plan to consult on changes to the associated documents as part of the consultation later in the year that will include the draft licence conditions related to the financial model. At this time we welcome any views on whether we have identified the correct associated documents and the likely changes required.

Consequential impacts on other licences

- 6.5 Similar to the associated documents, we expect that the consequential impacts of the FSO policy decisions on other licensees’ licences not to be clear until the provisions related to the FSO’s price control have been drafted. For that reason, we plan to include these as part of the consultation later in the year that will include the draft licence conditions related to the financial model.
- 6.6 The table below summaries our initial view of which licences are impacted by the FSO policy being consulted on in this consultation, and what we believe to be the likely changes required. The view provided is indicative at the time of this publication. These indicative changes are not exhaustive, and are liable to change whereupon further review we have determined more (or fewer) changes are required by the time of the consultation later this year on consequential amendments.

Table 2: Initial view of impacted licences

Licence	
Gas Transporter Standard Licence Conditions	<ul style="list-style-type: none"> Nominal changes expected
Gas Transporter Standard Special Licence Conditions Parts A, B, D	<ul style="list-style-type: none"> Expected changes to SSC A11 (Network Code and Uniform Network Code) to reflect the FSO’s relationship with the UNC Changes to consider FSO’s new gas functions and FSO’s legislative duties (e.g. Gas Network Innovation Strategy) Minor changes to conditions related to new FSO gas funding arrangements (e.g. conditions on gas charging) No changes anticipated to Parts B and D
Gas Transporter (NGT) Special Licence Conditions Part C	<ul style="list-style-type: none"> Introduce two additional licence conditions to enable price control pass through and gas funding for the FSO (chapter/section 5) Removal/transfer of certain obligations related to FSO’s gas functions (particularly gas strategic planning and Annual Network Capability Assessment Report (ANCAR) obligations) Introduce licence conditions and obligations to reflect necessary FSO-NGT engagement, including data sharing and submission/receipt of necessary information Other minor changes e.g. typo corrections encountered during review)
Gas Interconnector Standard Licence Conditions	<ul style="list-style-type: none"> Nominal changes expected (e.g. typo corrections encountered during review)
Gas Shipper Standard Licence Conditions	<ul style="list-style-type: none"> Nominal changes expected (e.g. typo corrections encountered during review)
Gas Supplier Standard Licence Conditions	<ul style="list-style-type: none"> Nominal changes expected (e.g. typo corrections encountered during review)
Electricity Transmission Standard Licence Conditions	<ul style="list-style-type: none"> Changes to remove ESO obligations – replace section C with [not used] and update references to FSO licences References to the system operator/transmission licensees/transmission business – to be checked over and updated as appropriate Remove conditions where corresponding condition has been removed for the FSO – for example remove D15 because we are proposing C18 is removed for the FSO Update references to conditions moved from ESO licences to FSO licences

Table 2: Initial view of impacted licences

Licence	
National Grid Electricity Transmission Plc Special Licence Conditions	<ul style="list-style-type: none"> • References to the system operator/transmission licensees/transmission business – to be checked over and updated as appropriate • Updates to reflect the NGENSO removal from National Grid Group and legacies of legal separation of NGENSO • Updated references to the FSO’s price control where necessary • Update references to conditions moved from ESO licences to FSO licences
Scottish TO Special Licence Conditions	<ul style="list-style-type: none"> • References to the system operator/transmission licensees/transmission business – to be checked over and updated as appropriate • Updated references to the FSO’s price control where necessary • Update references to conditions moved from ESO licences to FSO licences
Electricity Distribution Standard Licence Conditions	<ul style="list-style-type: none"> • References to the system operator/transmission licensees/transmission business – to be checked over and updated as appropriate • Update references to conditions moved from ESO licences to FSO licences
Electricity Distribution Special Licence Conditions	<ul style="list-style-type: none"> • References to the system operator/transmission licence/transmission licensee – to be checked over and updated as appropriate. • Update references to conditions moved from ESO licences to FSO licences • Update relevant conditions to reflect the updated drafting of the AAHDCS licence condition for the FSO’s ESO licence including price control pass through where necessary (Scottish Hydroelectric power distribution plc special conditions only).
Smart Meter Communication Licence Conditions	<ul style="list-style-type: none"> • Update references to conditions moved from ESO licences to FSO licences
Electricity Interconnector Standard Licence Conditions	<ul style="list-style-type: none"> • Update references to conditions moved from ESO licences to FSO licences • Remove conditions where corresponding condition has been removed for the FSO – for example remove D15 because we are proposing C18 is removed for the FSO
Electricity Generation Standard Licence Conditions	<ul style="list-style-type: none"> • References to the system operator/transmission licence/transmission licensee – to be checked over and updated as appropriate • Update references to conditions moved from ESO licences to FSO licences

Table 2: Initial view of impacted licences

Licence	
Electricity Supply Standard Licence Conditions	<ul style="list-style-type: none">• Update references to conditions moved from NGESO licence to FSO licences• Update Condition 15 (Assistance for areas with high distribution costs scheme, Energy Administration Orders, ESC Administration Orders and SMCL Administration Orders: payments to System Operator) to reflect the updated drafting of the AAHDCS licence condition and shortfall direction licence condition for the FSO's ESO licence• References to the system operator/transmission licence/transmission licensee – to be checked over and updated as appropriate

Appendices

Table 3: List of appendices

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Appendix 1 – Questions

Q1. Does the draft ESO licence capture the policy intent set out by the joint 'Proposals for a Future System Operator' and 'Future System Operator: second policy consultation and project update' consultations?

Q2. Does the draft GSP licence capture the policy intent set out by the joint 'Proposals for a Future System Operator' and 'Future System Operator: second policy consultation and project update' consultations?

Q3. Do you have any other views or comments relating to the proposed approach to associated documents?

Q4. Have we correctly identified the major consequential impacts of the FSO licence proposals on other licences? Any further comments are welcome.

Appendix 2 – Privacy notice

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Data provided in response to this consultation will be shared with the Department for Energy Security and Net Zero (DESNZ).

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information

For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".

Appendix 3 - Licence Drafting Principles

These are the licence drafting principles that we have applied when developing the drafting for the licence conditions. These licence drafting principles build upon those used in RIIO-2 and aim to ensure a consistent approach to all the licence conditions for the FSO.

Definitions

- A3.1 Each licence will contain a definitions condition at the start of the conditions, which sets out all of the definitions used in those conditions. It will also set out which definitions in legislation or other documents such as industry codes apply to the conditions.
- A3.2 It is acceptable for a definition simply to refer to a definition in documents outside the licence and legislation e.g. in industry codes or the Price Control Financial Handbook. However, a decision will need to be made about whether that definition should be ambulatory e.g. "as from time to time amended" or static e.g. "version 2.3".
- A3.3 In general, where Ofgem are the authors (e.g. RIGs), or have a degree of control (e.g. industry codes), especially if there are frequent updates, we recommend that the reference is ambulatory.
- A3.4 Defined terms should be capitalised throughout the licence conditions.

Structure of Conditions

Title

- A3.5 Each licence condition will have a title, which in general should be no more than one line.

Headings

- A3.6 Licence conditions that are more than a few paragraphs long should have headings, which should generally be no more than one line.

Paragraphs

- A3.7 Each paragraph should only deal with one idea and this means that generally it should only contain one sentence.
- A3.8 In terms of paragraph levels, we should stick to paragraphs and sub-paragraphs without going any further. We have retained sub-sub-paragraphs in some of the existing NGESO licence conditions where it would be difficult to redraft without

changing the original policy intent. This makes the licence condition easier to read. In some cases a defined term has been created to resolve this.

A3.9 If listing things, sub-paragraphs should be used for each item on the list, rather than one long sentence.

A3.10 Multiple paragraphs should be referred to as "paragraphs 4, 5 and 7", rather than "paragraph 4, paragraph 5, and paragraph 7", and sub-paragraphs written as "paragraph 4(a) and (c)".

Introduction

A3.11 Every licence condition should start with a section headed "Introduction". This should set out the purpose of the condition and should generally be no more than three paragraphs long.

A3.12 It is possible to have a short introduction even for a long licence condition because it should not replicate anything that is in the main body of the licence condition. It should only explain the purpose of the licence condition.

A Logical Flow

A3.13 After the introduction, a structure needs to be determined for the licence condition that ensures a logical flow. This includes:

- having basic concepts explained before any variations.
- having any provisions dealing with uncertainty or how the licence will be changed set out after the provisions dealing with how things commence.
- having any provisions on what happens if the licensee fails to comply with the condition set out after the provisions on what they are being required to do.
- dealing with any procedural or minor points after the more substantive parts of the condition e.g. the establishment of Associated Documents.

Obligations

A3.14 Obligations should be set out precisely and not simply reiterate the existing duty to act in an "economic and efficient" manner. If necessary, this can be done outside of the licence for example in industry codes or guidance.

A3.15 In some cases, it may be appropriate to qualify the extent of the obligation. This can be done by specifying particular circumstances in which the licensee does not have to comply with the obligation in the licence or creating an uncertainty mechanism to remove the obligation in certain circumstances or at specific times.

A3.16 Where an obligation is qualified by the level of effort, we will use “reasonable endeavours” or “best endeavours” and not “all reasonable endeavours”. As a starting point for new obligations we would expect to use “best endeavours”, since we have considered the obligation worth adding to the licence. However, there may in some contexts be a cost implication to this and the specifics of individual licence conditions and policy areas must be properly considered and may well warrant use of “reasonable endeavours”.

A3.17 The licence could also specify the steps the licensee should take or at least the minimum steps as part of their “best endeavours” or “reasonable endeavours”.

Consistency Rules and Style Guide

A3.18 Use plain English wherever possible.

A3.19 Use “must” instead of “shall” for placing obligations on the licensee.

A3.20 Use the active rather than the passive voice i.e. “the licensee must send a notice”, rather than “a notice must be sent by the licensee”.

A3.21 Use sub-paragraphs to show items in a list for clarity. The Oxford comma may assist in the understanding of a provision by showing that the last two items in a list are separate, but consider whether it would be clearer to use sub-paragraphs instead.

A3.22 “Licensee”, “condition”, “licence”, “special condition” and “standard condition” should be all lower case, unless at the beginning of a sentence.

A3.23 Avoid cross references if possible. Where needed, the first cross reference to another condition should refer to the number and the title. Subsequent cross references should simply refer to the number. We have left most cross references in the existing NGESO conditions in place, but are considering whether to do further redrafting to remove them where they can be avoided.