

# Consultation

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## Statutory consultation on the Electricity System Operator licence drafting modifications – reasons and effect

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This statutory consultation sets out the proposed modifications to National Grid Electricity System Operator Limited's (NGESO) licence conditions required to implement the funding arrangements for the transition to a Future System Operator.

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 alongside a decision on next steps 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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## Introduction

### What are we consulting on?

- 1.1 We are consulting on our proposed modifications to the National Grid Electricity System Operator Limited's (NGESO) licence conditions related to our decisions on funding Future System Operator (FSO) implementation costs in our Business Plan 2 (BP2) Final Determinations<sup>1</sup> and our subsequent consultation on funding the transition to a Future System Operator (FSO)<sup>23</sup>.
- 1.2 The modifications we are proposing to make are set out in annexes to our statutory consultation notice.
- 1.3 Within this document, we set out the reasons why we propose to make these changes and their intended effect.

### Context of these proposed licence changes

- 1.4 We are proposing changes to NGESO's licence.
- 1.5 These proposed changes are to the Special Conditions (SpC). We have summarised these proposed changes below.
- 1.6 The proposed modifications would introduce policy decisions related to the FSO that we made in our BP2 Final Determinations in March 2023. It also proposes modifications associated with our subsequent consultation 'Funding the transition to a FSO', which closed on 3 August 2023, and for which we plan to publish a policy decision for shortly. This policy decision will be published prior to any direction to modify the licence following this licence modification consultation.
- 1.7 As detailed below, the proposed modifications would introduce a new Associated Document called 'FSO Transition Funding Governance Document'. We have published a draft version of the FSO Transition Funding Governance Document for consultation alongside this licence consultation.

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<sup>1</sup> [Business Plan 2 Final Determinations - Electricity System Operator | Ofgem](#)

<sup>2</sup> [Funding the transition to a Future System Operator | Ofgem](#)

<sup>3</sup> The terms FSO and Independent System Operator and Planner (ISOP) are used interchangeably for this project.

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### Special Condition (SpC)

1.8 SpCs are conditions that apply to a particular licensee. However, the wording is often the same for all licensees of a particular type. All of the proposed changes set out in this document relate to the SpCs.

## 2. Proposed changes to Licence Conditions

### Reason and effect for changes to the Electricity System Operator Licence Conditions

<b>SpC 1.1 Interpretation and definitions</b>	
Type of change	Amendment to existing licence condition
Relevant licensees/relevant sectors	NGESO
Associated Document	N/A

2.1 The reason for amending this condition is to introduce new licence definitions related to the FSO funding arrangements and support the structure and clarity of proposed new SpC 2.15 and proposed changes to SpC 4.2.

2.2 The effect is to provide provisions of general interpretation necessary for the efficient drafting of SpCs 2.15 and 4.2.

<b>SpC 2.15 Obligations related to the implementation of the Future System Operator</b>	
Type of change	New licence condition
Relevant licensees/relevant sectors	NGESO
Associated Document	FSO Transition Funding Governance Document

2.3 The reason for adding this licence condition is to set out the licensee’s obligations associated with the implementation of the FSO (including general expectations, reporting requirements on costs and delivery, and the arrangements that must be followed for making any payments to National Grid Holdings One PLC). It also establishes the FSO Transition Funding Governance Document.

2.4 The effect of this condition is to provide greater clarity on the minimum standards associated with the delivery of the FSO Transition Activities and to put in place consumer protections around the cost recovery for FSO Transition Activities.

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<b>SpC 3.6 Adjustment term (ADJ<sub>t</sub>)</b>	
Type of change	Amendment to existing licence condition
Relevant licensees/relevant sectors	NGESO
Associated Document	N/A

2.5 The reason for amending this condition is to make minor housekeeping changes in SpC 3.6 Part A “Formula for calculating the adjustment term (ADJ<sub>t</sub>)”.

2.6 The effect of this modification is to provide additional clarity in SpC 3.6 Part A “Formula for calculating the adjustment term (ADJ<sub>t</sub>)”.

<b>SpC 4.2 System Operator Internal Allowed Revenue</b>	
Type of change	Amendment to existing licence condition
Relevant licensees/relevant sectors	NGESO
Associated Document	N/A

2.7 The reason for amending this condition is to include a new ‘pass-through’ item relating to the funding of FSO Transition Activities, and the maximum value of its sub-terms. This condition is to be amended also to make minor housekeeping changes to SpC 4.2 Part D “Formula for calculating the Price Index term (PI<sub>t</sub>)”.

2.8 The effect of this modification is to:

- enable the licensee to recover efficient and economic costs related to FSO Transition Activities;
- cap the licensee’s costs and payments to National Grid Holdings One Plc related to the FSO Transition Activities at certain maximum values (which can be revised upon direction by the Authority subject to clear evidence and justification provided by the licensee); and,
- provide additional clarity to SpC 4.2 Part D “Formula for calculating the Price Index term (PI<sub>t</sub>)”.

<b>SpC 4.9 System Operator Legacy Adjustments (SOLAR<sub>t</sub>)</b>	
Type of change	Amendment to existing licence condition
Relevant licensees/relevant sectors	NGESO
Associated Document	N/A

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2.9 The reason for amending this condition is to make minor housekeeping changes in SpC 4.9 Part B “The formula for calculating the System Operator legacy MOD term (LSOMOD<sub>t</sub>)”.

2.10 The effect of this modification is to provide additional clarity in SpC 4.9 Part B “The formula for calculating the System Operator legacy MOD term (LSOMOD<sub>t</sub>)”.

## **Appendix 1 Privacy notice on consultations**

### **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](mailto: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. ie a consultation.

#### 3. With whom we will be sharing your personal data

We will not be sharing your personal data.

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

Your personal data will be held for twelve months after the consultation has closed.

#### 5. 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



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- 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.

6. Your personal data will not be sent overseas

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

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

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

## **Appendix 2 How to respond**

- A2.1 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.
- A2.2 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- A2.3 We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

### **Your response, data and confidentiality**

- A2.4 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.
- A2.5 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.
- A2.6 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 on consultations, see Appendix 3.
- A2.7 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

A2.8 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

Do you have any comments about the overall process of this consultation?

Do you have any comments about its tone and content?

Was it easy to read and understand? Or could it have been better written?

Were its conclusions balanced?

Did it make reasoned recommendations for improvement?

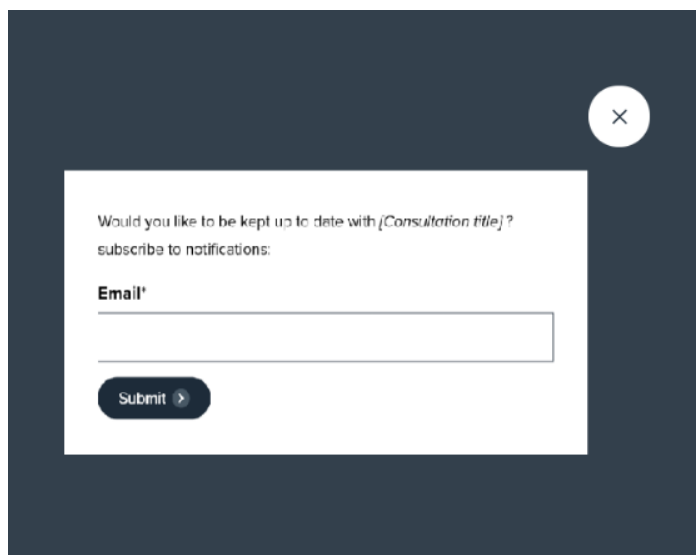
Any further comments?

A2.9 Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

## How to track the progress of the consultation

A2.10 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).

Notify me +

A screenshot of a dark-themed notification subscription form. The form is centered on a dark background and contains the following elements: a close button (an 'x' in a circle) in the top right corner; the text 'Would you like to be kept up to date with [Consultation title]?' followed by 'subscribe to notifications:'; a label 'Email' above a text input field; and a 'Submit' button with a right-pointing arrow at the bottom left.

A2.11 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

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- Closed (awaiting decision)
- Closed (with decision)