

Hannah Bentley
Compliance Officer
Sent via email

Email: ESOperformance@ofgem.gov.uk

Date: 9 November 2023

Dear Hannah,

Approval of National Grid Electricity System Operator's (NGESO) compliance documents pursuant to Special Condition 2.3 (Business Separation requirements and compliance obligations)

Following the partial transfer of National Grid Electricity Transmission's (NGET) electricity transmission licence to NGESO on 1 April 2019, NGESO submitted the following compliance documents in accordance with Special Condition 2.3 (Business separation requirements and compliance obligations)¹ of NGESO's electricity transmission licence on 30 April 2019:

- a) NGESO's business separation compliance statement;
- b) the proposed form of NGESO's annual business separation compliance report; and
- c) the proposed form of NGESO's business separation compliance certificate.

After discussions between Ofgem and NGESO regarding the latest compliance documents, Ofgem directed changes to the business separation compliance report on 20 October 2023 pursuant to Special Condition 2.3.17(b). Discussions centred on reconciling managerial changes, ensuring report completeness and aligning reported compliance figures. Additionally, we requested details on the compliance incidents categorisation process to better understand the reporting classification.

As the directed changes have been made to the compliance documents and in accordance with Special Condition 2.3, this letter confirms our approval of NGESO's updated business

¹ At the time of submission the relevant licence obligation was Special Condition 20 (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its System Operator Functions)

separation compliance statement, the proposed form of NGESO's annual business separation compliance report and the proposed form of NGESO's business separation compliance certificate.

For the avoidance of doubt, this approval confirms that NGESO is meeting its existing relevant businesses separation licence obligations with respect to the ESO's compliance documents. We will continue to consider whether the existing business separation obligations require modification, or whether new obligations are required, to ensure that the ESO is best placed to deliver its important role in maintaining system security whilst driving towards net zero at the lowest cost to consumers.

Following this approval, we expect the ESO to keep reviewing these documents and revising them as necessary from time to time, as required by Special Condition 2.3. This includes when circumstances change since Ofgem's direction in November 2023.

If you have any queries regarding the information contained in this letter, please contact Shubh Mehta (shubh.mehta@ofgem.gov.uk).

Yours Sincerely,

Adam Gilham

Head of ESO Regulation

Energy Systems Management & Security