

To:

National Grid Electricity System Operator Limited

Email: [FSO@ofgem.gov.uk](mailto:FSO@ofgem.gov.uk)

Date: 13 December 2023

Dear Company Secretary,

**Direction to issue the FSO Transition Funding Governance Document under Special Condition 2.15.5 of the electricity transmission licence held by National Electricity System Operator Limited (“the Licensee”).**

1. The Gas and Electricity Markets Authority (“the Authority”)<sup>1</sup> issues this direction, under Special Licence Condition 2.15.5 of the electricity transmission licence held by the Licensee, to issue and put into effect the FSO Transition Funding Governance Document.
2. The Licensee is the holder of a licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Licence”).
3. On 6 September 2023, as part of the National Grid Electricity System Operator Limited Electricity Transmission Statutory Licence Consultation<sup>2</sup>, the Authority published on its website the text of the proposed FSO Transition Funding Governance Document and stated that representations must be made on or before 4 October 2023.
4. We received two representations, which we have carefully considered. Our response to these representations can be found in the form of an ‘Issues Log’ published on our website alongside the FSO Transition Funding Governance Document on 11 December 2023<sup>3</sup>. We have placed all non-confidential responses on our website.<sup>4</sup>

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<sup>1</sup> The terms “the Authority”, “we” and “us” are used interchangeably in this document.

<sup>2</sup> [Statutory consultation on a proposal to modify the Special Conditions of the Electricity Transmission licence held by National Grid Electricity System Operator Limited – September 2023 | Ofgem](#)

<sup>3</sup> [Decision on FSO Transition Funding Governance Document | Ofgem](#)

<sup>4</sup> [Statutory consultation on a proposal to modify the Special Conditions of the Electricity Transmission licence held by National Grid Electricity System Operator Limited – September 2023 | Ofgem](#)

5. We have made several changes to the proposed text of the FSO Transition Funding Governance Document as a result of the consultation responses, with our reasons for those changes set out in the issues log. The issues log, the full text of the FSO Transition Funding Governance Document, as well as a track changed version compared with that published on 6 September 2023 was published on 11 December 2023 and can be found on our website.<sup>5</sup>
6. The reason for this direction is to issue and put into effect the FSO Transition Funding Governance Document published on our website on 11 December 2023 which makes provision about the arrangements for the recovery of costs for FSO Transition Activities (as defined in the Licence) and imposes requirements on the Licensee related to the recovery of costs for FSO Transition Activities.<sup>6</sup>
7. This direction is our notice of reasons for the purposes of section 49A of the Electricity Act 1989.
8. Now the Authority pursuant to Special Licence Condition 2.15.5 of the Licence held by the Licensee hereby directs that the FSO Transition Funding Governance Document, published on our website on 11 December 2023, is issued and will have effect from 13 December 2023.

Yours faithfully,

**Grendon Thompson**  
**Interim Deputy Director**  
**Institutions for Net Zero, Energy Systems Management and Security**  
**Duly authorised on behalf of**  
**the Gas and Electricity Markets Authority**

**13 December 2023**

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<sup>5</sup> [Decision on FSO Transition Funding Governance Document | Ofgem](#)

<sup>6</sup> [Decision on FSO Transition Funding Governance Document | Ofgem](#)