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Ofgem  
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30 January 2024

Dear David

I welcome the opportunity to respond to Ofgem's consultation on the policy direction for the Future System Operator's regulatory framework.

The Scottish Government welcomes the establishment of the FSO and recognises the importance of its role in overseeing the long-term strategic planning of the energy system across GB. We agree that the proposal to create a publicly owned, not-for-profit corporation will help ensure a long-term, whole systems approach to planning in order to maintain system resilience and increase our energy security as we transition to net zero.

As set out in the consultation document, the FSO is taking on a range of new functions in addition to the existing remit of the ESO. It is important that the regulatory and performance frameworks that are put in place ensure accountability and oversight of the FSO to safeguard consumers and give the wider energy sector confidence. These frameworks should support the FSO to deliver on its new responsibilities from day one, whilst ensuring a smooth transition.

We note the consultation's reference to the FSO model's aim of minimising costs to the consumer. This is a crucial element and must be at the heart of the FSO's remit. We were therefore concerned that paragraph 3.33 of the consultation document notes that:

*"The FSO's new legal duties should inherently encourage it to consider consumer impacts and overall cost efficiency."*

We firmly believe that this should be explicit rather than 'inherent', and that the proposed assessment of costs (as noted in paragraph 3.34) should be rigorous and take consumer impacts fully into account.

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I understand Ofgem is planning to undertake further consultations on the licence arrangements ahead of the establishment of the FSO, and that there are plans to conduct further engagement and consultations with stakeholders regarding the FSO's enduring regime later this year.

We look forward to seeing further details relating to the FSO's regulatory and performance arrangements as part of the statutory consultation processes, and continuing to engage with Ofgem and the UK Government on the implementation of the FSO as a new public body.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gillian Martin', with a stylized, flowing script.

**Gillian Martin**

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