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ESO Response to: Future System Operator – Draft amendments to other impacted licences consultation

Dear Sir or Madam,

We are pleased to submit our response to Ofgem's 'Draft amendments to other impacted licences consultation'. This letter provides a summary view of our response alongside the points made in Appendices 1 and 2, which address the specific consultation questions and contain our more specific comments on the licence drafting.

Who we are

As the Electricity System Operator (**ESO**) for Great Britain, we are at the heart of the energy system, balancing electricity supply and demand second-by-second.

As the UK moves towards its 2050 net zero target, our mission is to drive the transformation to a fully decarbonised electricity system by 2035, one which is reliable, affordable, and fair for all. Our transformation to a Future System Operator (**FSO**) is set to build on the ESO's position within the energy industry, acting as an enabler for greater industry collaboration and alignment. This will unlock value for current and future consumers through more effective strategic planning, management and coordination across the whole energy system.

Our overall views on this consultation and the draft licences

We welcome this consultation as a next step following Ofgem's consultation on the proposed changes to the FSO's licences in September 2023¹. The licences form a key part of the whole industry regulatory framework and it is important that they reflect the broader policy intent behind the FSO's establishment.

We appreciate that there are other elements of licence drafting still to be developed and we look forward to continuing to work with the Department of Energy Security and Net Zero (**DESNZ**) and Ofgem as they develop these other areas of licence drafting and associated policy. As we have stated previously, while it is important to ensure that the FSO's licences accurately reflect policy intent, other licences must also be modified appropriately such that roles and responsibilities are clearly defined across industry parties. This is particularly pertinent, in this consultation, to the FSO's new Gas Network Strategic Planning role where the most material changes have been identified to National Gas Transmission's (**NGT**) licence to reflect this new role.

Looking beyond Day 1 of the FSO, we remain of the view that it will be important to maintain a flexible approach to further licence development as the new roles of the FSO continue to evolve.

¹ [Future System Operator \(FSO\) draft licences consultation | Ofgem](#)

Our key points on the licence drafting

We broadly agree with the 'Reasons and effects' that Ofgem sets out as drivers of change to the various licences and we recognise that most of the changes proposed are to reflect the establishment of the FSO as a new organisation. To this end we also broadly agree with the changes being proposed in the consultation to the impacted licences. However, we set out some specific high-level comments on the drafting below.

Proposed changes to the gas related licences

- As expected, the most substantive consequential changes to other licences are to NGT's licence to facilitate the FSO's new role in gas strategic network planning. We have been developing this drafting through a collaborative process with Ofgem and NGT over the last few months. The drafting in the consultation largely reflects these discussions and we look forward to the next stage of work, particularly focussing on associated code changes. We do have more specific comments which are set out in Appendix 2.
- We note that Ofgem is coordinating a separate working group (as part of the Cross Code Working Group (**CCWG**)) to determine if further information sharing provisions are required between the FSO and NGT to support the FSO's new roles. We welcome this further work and consider that setting out requirements for information sharing in a transparent and clear way will promote a more successful working relationship between the parties.
- We think it is helpful to have provisions drafted in NGT's licence in Special Condition 9.10 around identifying confidential information. However, we are unclear on what the requirement on NGT '*to secure with the owner of that information*' that it will be provided to the ISOP means and seems potentially unnecessary. It is very important that any provisions around the flow of information are clear. We note that any information provided will need to be treated in accordance with the ringfencing obligations proposed in the FSO's new licences for managing sensitive data in a transparent way. We expand on this point below.
- We recognise that, in order to further facilitate the FSO's new gas strategic network planning role, changes are required to the Uniform Network Code (**UNC**). These will be progressed through the CCWG in the coming weeks, ahead of the planned codes statutory consultation.
- We understand that the future voting status of the FSO on the UNC panel has already been discussed at the CCWG. As a result, the licence drafting does not currently give the FSO voting rights on UNC modifications which was a decision made to maintain the balanced composition of the panel. We would welcome further discussion on whether, as an independent body, the FSO gaining voting rights might be appropriate at some point in the future.
- There are a few specific areas where we do not consider the drafting to be sufficiently clear to ensure that the processes work well. Further detail is set out in Appendix 2 below.

Our comments on the proposed changes to the electricity related licences

- We note that there are new FSO roles for which policy is still under development and that will require further licence change for both the FSO's and other parties' licences. Ofgem sets out in its Decision on the framework for the Future System Operator's Centralised Strategic Network Plan² that licence conditions implementing Future Energy Scenarios (**FES**), Strategic Spatial Energy Planning (**SSEP**) and Central Strategic Network Plan (**CSNP**) will form part of the statutory consultation planned in Spring 2024. We look forward to working with DESNZ and Ofgem on the development of these licence conditions in the coming weeks, and ahead of the statutory consultation.

In its decision, Ofgem also sets out that it considers licence changes to TO licences to implement CSNP are not necessary at this time given that its decision is not making any fundamental change to TO responsibilities. We don't agree with this view and think it is very important that roles and responsibilities around network planning are clear across industry parties and their licences to avoid

² [Decision on the framework for the Future System Operator's Centralised Strategic Network Plan \(ofgem.gov.uk\)](https://www.ofgem.gov.uk)

uncertainty. We therefore think that Ofgem should reconsider its view on this, and we are happy to work with Ofgem and TOs to develop appropriate wider licence changes to reflect CSNP and other roles as required.

We have provided responses to the consultation questions in Appendix 1 and included further detailed comments on the licence drafting presented in the subsidiary documents of Ofgem's consultation in Appendix 2 below.

We look forward to working with Ofgem and DESNZ further to develop the licence drafting ahead of the statutory consultation in Spring 2024. Should you require further information on any of the points raised in our response please contact Gareth Davies, Head of Transformation, FSO Programme at gareth.davies5@nationalgrideso.com.

Our response is not confidential.

Yours sincerely



Colm Murphy, FSO Programme Director

Appendix 1 – Response to consultation questions

Q1. Have we correctly identified the impacts of the FSO licence proposals on other licences?

Broadly, we think that Ofgem has identified the main impacts of the FSO licence proposals on other licences. However, we note that there is further development of the FSO licences to come and therefore further changes to other licences may be required. In particular, as set out above, we consider that other new FSO role development, such as CSNP, will require changes to other licences to ensure clarity of roles.

One issue that we consider needs further consideration is ensuring that the actions of ESO taken before its change in ownership and designation as the ISOP will still take effect under the relevant licence. This is particularly relevant given the ESO's current role in the electricity sector. This does not seem to us to be completely clear under the current drafting and it seems to us that it is important that there is no doubt around this to avoid any confusion around the relevant requirements for licensees. We have proposed drafting in Appendix 2.

Q2. Are you aware of any further amendments that may be required to other licences?

We note that changes relating to the Network Innovation Allowance and Strategic Innovation Fund have been made in some areas and not others and we suggest that further consideration is given to this as the financial aspects of the FSO's licences continue to be developed. Otherwise, where we consider that there may be further amendments required to other licences, we have set them out in the tables below in Appendix 2. We have not identified any other licences, that are not already on the list of licences published by Ofgem as part of this consultation, that should have changes made as a result of establishing the FSO.

Q3. Do you have any other comments?

Our further comments on the drafting proposed are set out in Appendix 2 below.

Appendix 2 – ESO specific comments on the subsidiary licence drafting documents

This appendix sets out our comments on each set of licence conditions, where applicable. The references in the tables below are in relation to the various subsidiary documents of Ofgem’s consultation.

Electricity Transmission licence: Standard Conditions

Reference	ESO comments
<p>Condition A1. Definitions and interpretation, para 1 (definition of ‘authorised electricity operator’), page 7</p>	<p>For clarity, we suggest changing the drafting to <i>‘means any person (other than the licensee) who holds an electricity system operator licence or who is authorised to generate, participate in the transmission of, or distribute, or supply...’</i>.</p> <p>We suggest that the language of being authorised to hold an electricity system operator licence is not strictly correct.</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of ‘cross-default obligation’), page 9</p>	<p>For clarity, we suggest changing the drafting to <i>‘...between any transmission licensee and the ISOP under the STC...’</i>.</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of ‘CUSC’), page 10</p>	<p>We note that the cross-references here differ from those set out for this definition in the electricity system operator licence as set out in the FSO informal licence consultation in September. The two should be consistent to avoid any confusion. Rather than a specific paragraph reference, it may be preferable to simply reference <i>‘Part A of condition E2...’</i> or <i>‘condition E2’</i>. (The latter approach is used in the Grid Code definition and also in the CUSC definition proposed for the supply licence.)</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of ‘interim connect and manage offer’), page 13</p>	<p>We note that, to make this definition clear, the definition for <i>‘connect and manage implementation date’</i> should be retained in Condition A1.</p>
<p>Condition A1. Definitions and interpretation, para</p>	<p>We note that many of the actions taken by the FSO which have an impact on obligations under the ISOP will have been done (by NGENSO) before its designation as the ISOP. The current drafting on its face could be taken to mean that any action must be done by the person once designated, which is not the intention. To avoid</p>

<p>1 (definition of 'ISOP), page 14</p>	<p>any confusion, we suggest adding the following language to the end of the definitions in each of the electricity licences:</p> <p><i>'...gas system planner licence and, in respect of any time prior to the first such designation, means the person first designated'.</i></p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of 'licensee's transmission system'), page 14</p>	<p>Given that the licensee's transmission system in this context will be the relevant transmission owner, it appears to us that paragraph (a) can be merged with the opening wording and paragraph (b) deleted.</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of 'NIC funding mechanism')</p>	<p>There is a missing definition of 'NIC funding mechanism' in Standard Condition A1 where a reference to '<i>system operator's transmission licence</i>' should be updated to '<i>electricity system operator licence</i>'.</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of 'system operator'), page 16</p>	<p>We agree that this defined term should be deleted, but please see our comments as above on a change to the definition of '<i>ISOP</i>' to cover legacy references to ESO.</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of 'Transmission Business')</p>	<p>Our understanding is that the full text of this definition is not shown in the consultation version and that there is an express reference to NGENSO and its affiliates and related undertakings that will also need to be deleted.</p>
<p>Condition A1. Definitions and interpretation, para 1 (definition of 'ultimate controller')</p>	<p>We suggest that sub-paragraph (d) of this definition should be modified to refer to '<i>...which are exercisable by <u>the ISOP</u> or a transmission licensee over the activities of, or as against, another transmission licensee</i>'.</p>
<p>Condition B3, para 5(b)</p>	<p>Paragraph 5(b) of this condition currently refers to a "<i>transmission licensee</i>" which includes the ESO within the scope of that definition. If it is not intended to narrow the meaning of the provision please consider whether reference to the FSO is also required here.</p>
<p>Condition B12. System Operator –</p>	<p>The general approach taken here has been minimal change, updating only the references to the system operator and substantive changes which are proposed to</p>

Transmission Owner Code, General, pages 38 - 54	be introduced to the electricity system operator licence (e.g. additions to the applicable STC objectives). While we understand the intent to minimise changes to the transmission licences, given the conditions underpinning the STC will sit across these licences and the electricity system operator licence we do think that the wording should be consistent. For example, we suggest that the update to the final wording in condition E4, paragraph 4 proposed for the electricity system operator licence should be made here. As an exception to this, defined terms do not need to be changed where the definitions remain the same but the manner of setting out defined terms will be different in the transmission licence.
Condition B12. System Operator – Transmission Owner Code, para 1, page 38	We note that this consultation does not cover the FSO’s financial arrangements and that it will need to be considered whether any changes should be made to this provision as these are further developed.
Condition B12. System Operator – Transmission Owner Code, para 2(a), page 39	For completeness it would seem helpful to us to include a reference to the ISOP expressly in this sub-paragraph “ <i>..rights and obligations of transmission licensees, the ISOP, and STC parties</i> ”
Condition B12. System Operator – Transmission Owner Code, para 2(b), page 39	For completeness it would seem helpful to us to include a reference to the electricity system operator licence expressly in this sub-paragraph in relation to the exchange of information.
Condition B16. Electricity Network Innovation Strategy, para 9, page 63	<p>In the definition of ‘<i>Relevant Network Licensee</i>’, for clarity we suggest moving the reference to the ISOP to the end of the definition (i.e. the holder of a transmission licence or an electricity distribution licence or the ISOP).</p> <p>In addition, the definition of ‘<i>R110-1 Network Innovation Allowance</i>’, ‘<i>R110-1 Network Innovation Competition</i>’ and ‘<i>R110-2 Network Innovation Allowance</i>’ currently refer to ‘<i>the System Operator</i>’, despite that defined term having been deleted. We suggest that further consideration is given to this, noting our proposed change to the definition of ‘<i>ISOP</i>’ above.</p>
Condition D3. Transmission system security standard and quality of service, para 4, page 262	We suggest updating the cross-reference to ‘... <i>condition E7 (National Electricity Transmission System Security and Quality of Supply Standard)</i> ’ for consistency with the electricity system operator licence.
Condition D16. Requirements of a connect and manage connection, para 1, page 274	We suggest updating the cross-reference to ‘... <i>condition C11 (Requirements of a Connect and Manage Connection)</i> ’ for consistency with the electricity system operator licence.

Condition D17. Requirements of a connect and manage connection, para 1, page 276	ISOP has been added where ' <i>transmission licensee</i> ' is first mentioned, but not where it is next mentioned. We suggest updating the wording to ' <i>... actions taken by one transmission licensee, electricity distributor or the ISOP could have cross network-impacts...</i> '.
Condition E16. Transmission system security standard and quality of service, para 2, page 282	We suggest that the cross-reference to Condition E7, paragraph 4 of the electricity system operator's licence here does not appear to be correct and would suggest that the correct reference is paragraph 7.
Condition E22. General provisions on disclosure of information, para 3, page 422	No change is proposed to the reference to ' <i>...relevant system operator (being a transmission system operator)...</i> '. Our understanding is that this is because the reference may cover system operators other than the ISOP. On that basis, we suggest changing this to ' <i>...relevant system operator (being <u>the ISOP or another transmission system operator</u>)...</i> '

National Grid Electricity Transmission Licence: Special Conditions

Reference	ESO comments
SpC 1.1. Interpretation and definitions, Part B (definition of 'CUSC'), page 9	As set out above, we note that the cross-references here differ from those set out for this definition in the electricity system operator licence as set out in the FSO informal licence consultation in September. The two should be consistent to avoid any confusion. Rather than a specific paragraph reference, it may be preferable to simply reference ' <i>Part A of condition E2...</i> ' or ' <i>condition E2</i> '. (The latter approach is used in the Grid Code definition.) In addition, we suggest ' <i>...<u>the Electricity System Operator Licence</u>...</i> '.
SpC 1.1. Interpretation and definitions, Part B (definition of 'Grid Code), page 10	We suggest ' <i>...<u>the Electricity System Operator Licence</u>...</i> '.
SpC 9.17. Prohibited activities and conduct of the Transmission Business, para 9.17.4, page 39	We agree that the reason for this condition will not remain following the transition to FSO. However we do note that some of the information referred to will fall within other confidentiality obligations.

Scottish Transmission Owners Licence: Special Conditions

Reference	ESO comments
SpC 1.1. Interpretation and definitions, Part B (definition of 'CUSC'), page 9	<p>As set out above, we note that the cross-references here differ from those set out for this definition in the electricity system operator licence as set out in the FSO informal licence consultation in September. The two should be consistent to avoid any confusion. Rather than a specific paragraph reference, it may be preferable to simply reference '<i>Part A of condition E2...</i>' or '<i>condition E2</i>'. (The latter approach is used in the Grid Code definition.)</p> <p>In addition, we suggest '<i>...<u>the Electricity System Operator Licence</u>...</i>'.</p>
SpC 1.1. Interpretation and definitions, Part B (definition of 'Directly Attributable Costs'), page 10	We question whether this definition should be modified to make reference to the ISOP.
SpC 1.1. Interpretation and definitions, Part B (definition of 'Grid Code), page 10	As above, we suggest ' <i>...<u>the Electricity System Operator Licence</u>...</i> '.
SpC 5.2. RIIO-2 network innovation allowance (NIAt), para 5.2.10(e)	We suggest this should be modified to make reference to the ISOP. (This change is proposed for the distribution licence.)
SpC 5.3. Carry-over Network Innovation Allowance (CNIAt), para 5.3.10(a)	We suggest this should be modified to make reference to the ISOP. (This change is proposed for the distribution licence.)
SpC 7.11. RIIO-ET1 network innovation competition), para 7.11.8(b)	We suggest this should be modified to make reference to the ISOP. (This change is proposed for the distribution licence.)

SpC 9.19. The strategic innovation fund (SIFt), para 9.19.12(b)

We suggest this should be modified to make reference to the ISOP. (This change is proposed for the distribution licence.)

Electricity Distribution Licence: Standard Conditions

Reference	ESO comments
<p>Condition 1. Definitions for the standard conditions, para 1 (definition of ‘Authorised Electricity Operator’), page 2</p>	<p>For clarity, we suggest changing the drafting to <i>‘means any person (other than the licensee) who holds an electricity system operator licence or who is authorised to generate, participate in ...’</i>.</p> <p>We suggest that the language of being authorised to hold an electricity system operator licence is not strictly correct.</p>
<p>Condition 1. Definitions for the standard conditions, para 1 (definition of ‘ISOP’), page 3</p>	<p>We note that many of the actions taken by the FSO which have an impact on obligations under the ISOP will have been done (by NGESO) before its designation as the ISOP. The current drafting on its face could be taken to mean that any action must be done by the person once designated, which is not the intention. To avoid any confusion, we suggest adding the following language to the end of the definitions in each of the electricity licences:</p> <p><i>‘...gas system planner licence and, in respect of any time prior to the first such designation, means the person first designated’</i>.</p>
<p>Condition 37. Provision of the Data Transfer Service, para 37.7, page 43</p>	<p>Given that the ISOP has been included in this condition as a party potentially involved in data transfers, we question whether the ISOP should also be listed in this paragraph of the interpretation section of this condition as follows: <i>‘References to an Electricity Supplier, a Transmission Licensee or the ISOP include references to any agent of that supplier or that licensee.’</i></p>
<p>Condition 48A. Electricity Network Innovation Strategy, Part E, definition ‘Interested Parties’, pages 48</p>	<p>In the equivalent electricity transmission provision, the ISOP is included in the list of parties falling within the definition of <i>‘Interested Parties’</i> and it appears that the same should be included here.</p>

Condition 48A. Electricity Network Innovation Strategy, Part E, definitions of RIO-2 Network Innovation Allowance and SIF, pages 49 and 50	These definitions still refer to the 'GB System Operator's Transmission Licence' and references therein which require to be updated.
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Electricity Distribution Licence: Special Conditions

Reference	ESO comments
Special Condition 1.2, Part A, para 1.2.4, page 2	As in other licence conditions, the electricity system operator licence should be added to this list.
SpC 1.2. Definitions and references to the Electricity Distributors, Part A (definition of 'Grid Code')	As in other licence conditions, the definition of Grid Code should be updated to cross-refer to the electricity system operator licence.
Special Condition 9.7 Directly Remunerated Services, Appendix 1, page 41	We question whether the deleted words ' <i>...for the purposes of its GB System Operator activity</i> ' should be reinstated.
Special Condition 9.9, Part A, para 9.9.4, page 41	This paragraph refers to the Transmission Licence held by the ISOP and should be changed to 'Electricity System Operator Licence' with references updated accordingly.

Electricity Interconnector Licence: Standard Conditions

Reference	ESO comments
<p>Part II Condition 1. Definitions and interpretation, definition of 'GB ISOP', page 4</p>	<p>The 'GB ISOP' does not seem a particularly clear term to us, since this implies that there will be an ISOP for other jurisdictions. In addition we note that there will already be a number of terms in legislation used to cover the ISOP and adding a further term here does not seem helpful.</p> <p>We suggest that it would be clearer to either use ISOP as in other licences or retain the definition of 'GB system operator' if it is considered important to make a particular deviation in the interconnector licence, where reference is made to other system operators.</p> <p>The final line of the definition should read as '<u>... and a gas system planner <i>licence</i>.</u>'</p> <p>In addition, we note that many of the actions taken by the FSO which have an impact on obligations under the ISOP will have been done (by NGESO) before its designation as the ISOP. The current drafting on its face could be taken to mean that any action must be done by the person once designated, which is not the intention. To avoid any confusion, we suggest adding the following language to the end of the definitions in each of the electricity licences:</p> <p><i>'...gas system planner licence and, in respect of any time prior to the first such designation, means the person first designated'</i>.</p>
<p>PART II – SECTION B: GENERAL, Condition 3. Compliance with Codes, para 3</p>	<p>It appears to us that the stakeholders who are consulted on here should be modified to refer to the ISOP.</p>
<p>PART II – SECTION B: GENERAL, Condition 5. Information regarding technical rules... development, para 2</p>	<p>We suggest that further consideration is given to whether a reference to the ISOP should be included here to prevent a change in meaning from the current text.</p>
<p>PART II – Section E: British Electricity Trading and Transmission Arrangements, Condition 15. Definitions, definition of 'GB transmission system', page 11</p>	<p>In other licences this definition has been updated to make reference to the ISOP as the operator of the system in Great Britain. We are not clear why the change has not been made here.</p>

See our comments above.

**PART II – Section
E: British
Electricity Trading
and Transmission
Arrangements,
Condition 15.
Definitions,
definition of ‘GB
ISOP’, page 15**

Electricity Generation Licence: Standard Conditions

Reference	ESO comments
Standard Condition 1. Definitions and interpretation, para 1 (definition of ‘authorised electricity operator’), page 2	<p>For clarity, we suggest changing the drafting to <i>‘means any person (other than the licensee) who holds an electricity system operator licence or who is authorised to generate, participate in the transmission of, or distribute, or supply...’</i>.</p> <p>We suggest that the language of being authorised to hold an electricity system operator licence is not strictly correct.</p>
Standard Condition 1. Definitions and interpretation, para 1 (definition of ‘ISOP’), page 3	<p>We note that many of the actions taken by the FSO which have an impact on obligations under the ISOP will have been done (by NGENSO) before its designation as the ISOP. The current drafting on its face could be taken to mean that any action must be done by the person once designated, which is not the intention. To avoid any confusion, we suggest adding the following language to the end of the definitions in each of the electricity licences:</p> <p><i>‘...gas system planner licence and, in respect of any time prior to the first such designation, means the person first designated’</i>.</p>
Standard Condition 1. Definitions and interpretation, para 1 (definition of ‘distribution system’)	<p>This definition should be updated to refer to the ISOP.</p>
Standard Condition 1. Definitions and interpretation, para 1 (definition of ‘national electricity	<p>This definition should be updated to refer to the ISOP.</p>

distribution system')	
Standard Condition 19B, para 2(b)(ii), page 23	It seems to us that some of the references here should be updated to refer to the electricity system operator licence.
Standard condition 20B, page 80 – 81	Upon review of the broader licence, it appears to us that condition 20B has been omitted from the exercise to replace the term 'system operator'.
Standard condition 20B, para 2(a), page 80	The term 'system operator' should be replaced with the newly introduced term ' <i>ISOP</i> '.
Standard condition 20B, para 2(b), page 80	The term 'system operator' should be replaced with the newly introduced term ' <i>ISOP</i> '.
Standard condition 20B, para 9, page 81	The term 'system operator' used in the definition of 'Balancing Mechanism' should be replaced with the newly introduced term ' <i>ISOP</i> '.
Standard condition 20B, para 9, page 81	The term 'system operator' used in the definition of 'Physical Notification' should be replaced with the newly introduced term ' <i>ISOP</i> '.
Standard condition 20B, para 9, page 81	Both instances of the term 'system operator' used in the definition of 'Relevant Arrangements' should be replaced with the newly introduced term ' <i>ISOP</i> '.

Electricity Supply Licence: Standard Conditions

Reference	ESO comments
Standard condition 1, (definition of 'authorised electricity operator'), page 8	<p>For clarity, we suggest changing the drafting to '<i>means any person (other than the licensee) who holds an Electricity System Operator Licence or who is Authorised to generate, participate in the transmission of, or distribute, or supply...</i>'.</p> <p>We suggest that the language of being authorised to hold an electricity system operator licence is not strictly correct. We also suggest 'electricity system operator' should be capitalised to refer to the defined term.</p>
Standard Condition 1, (definition of 'relevant distributor') para 1.2, page 8	We suggest that the reference to condition 15 requires updating to reflect the new condition title ' <i>...standard condition 15 (Assistance for areas with high distribution costs scheme: payments to <u>the ISOP</u>...</i> '.
Standard Condition 15, (definition of 'ISOP') para 15.9, page 14	<p>We note that many of the actions taken by the FSO which have an impact on obligations under the ISOP will have been done (by NGEESO) before its designation as the ISOP. The current drafting on its face could be taken to mean that any action must be done by the person once designated, which is not the intention. To avoid any confusion, we suggest adding the following language to the end of the definitions in each of the electricity licences:</p> <p><i>'...gas system planner licence and, in respect of any time prior to the first such designation, means the person first designated'</i>.</p>

National Gas Transmission (NGT) Special Conditions

Reference	ESO comments
Special Condition 1.1, Part B, (definition of 'Gas System Planner Licence'), page 7	On further review, we suggest that further consideration is given to whether the words ' <i>or treated as granted</i> ' should be included here. We note that those words are not included in the definition of 'Gas Transporter Licence' and we are not clear that the legislation merits including those words as it does for electricity. We note that this will apply equally to the same definition in the FSO's licences.
Special Condition 1.1, Part B, (definition of 'Network Licensee'), page 11	For completeness it appears to us that this definition should be modified to also make reference to the ISOP, given its role in relation to innovation and energy planning. We suggest adding references to ' <i>licences granted under section 7AA of the Act</i> ' and licences ' <i>granted, or treated as granted, under section 6(1)(d)(a) of the Electricity Act 1989</i> '.
Special Condition 9.10, Part A, para 9.10.5, page 14	<p>We are unclear what the words '<i>...and approved by the Authority...</i>' means in this paragraph and request that further consideration is given to this. There is no approval process set out in Condition C8 as is implied by the drafting. If the intention is that this mean approved in the sense that funding has been obtained through the price control process, we suggest that this should be made clear.</p> <p>It is also not completely clear what the words '<i>and changes to assets</i>' adds here, given it is not language used in Condition C8 the paragraph covers other options.</p>
Special Condition 9.10, Part A, para 9.10.6, page 15	We consider that the wording ' <i>...any further information in response to the information provided by the ISOP..</i> ' is very general and perhaps this should be a more specific obligation on NGT to respond to the ISOP's outputs. There may be a process of engagement here that would fit better in an accompanying UNC modification.
Special Condition 9.11	This contains the Transmission Planning Code (TPC) requirements of NGT's licence, and the obligation to keep the TPC under review. Given that the FSO is likely to be materially affected by the review, we would expect the FSO to be a key stakeholder in the review and revision process of the TPC as required by Part C of this condition.
Special Condition 9.10, Part B, para 9.10.13(a), page 16	We note that the wording in brackets duplicates the defined term and is redundant.
Special Condition 9.10, Part B, para 9.10.14, page 16	We agree that it will be helpful for NGT to confirm to the FSO where information provided is confidential. However, the paragraph also refers to NGT ' <i>...securing that information will be provided...</i> '. We are unclear on what this interaction between NGT and the owner of the information is intended to cover and this seems an unclear and potentially unnecessary step. However, we welcome further discussion on what this would cover.
Special Condition 9.12, Part E, para 9.12.16(c), page 20	Our understanding is that this is intended to cover ' <i>all tools and systems</i> ' and we suggest making this change for clarity.
Special Condition 9.12, Part E, para	It is not clear how the timing of this requirement links in with the remainder of paragraph 9.12.16, particularly since the request may only come after the date that

9.12.16(e), page 20	the other deliverables are provided. We suggest that this should be a standalone paragraph afterwards for the provision of information reasonably requested.
Special Condition 9.12, Part E, para 9.12.17, page 20	We question whether the use of ' <i>reasonable endeavours</i> ' is a strong enough test as far as ensuring that the Network Model and Relevant Network Model Data provided in accordance with paragraph 9.12.16 are replications of the Network Model and Relevant Network Model Data used by NGT. We propose that this could either be replaced by ' <i>best endeavours</i> ' or ' <i>must ensure</i> ' but in either case, an accompanying UNC modification might be an appropriate method for the model to be agreed.

Gas Transporter Standard Special Conditions

Reference	ESO comments
Standard Special Condition A3, para 1, (definition of 'Gas System Planner Licence), page 4	On further review, we suggest that further consideration is given to whether the words ' <i>or treated as granted</i> ' should be included here. We are not clear that the legislation merits including those words as it does for electricity. We note that this will apply equally to the FSO's licences.
Standard Special Condition A11, para 1, page 6	Please consider whether provision should be made here to capture efficient discharge of obligations imposed on the ISOP by virtue of its functions under the gas system planner licence. We note that a similar change is proposed in relation to the STC.
Standard Special Condition A11, para page 95	At the definition for 'self-governance criteria' we propose inserting a new line '(ee) – <i>the ISOP; and...</i> ' to include consideration of the ISOP as a condition for self-governance decisions.
Standard Special Condition A15, Part A, para 3, page 107	While details of the CDSP arrangements are likely to be set out in the UNC, we suggest that it would be helpful to reference the ISOP in the licence conditions. Access to the CDSP will be important for the ISOP and a role in its governance may be too. With this in mind, we suggest the following addition: 'The licensee must, together with Relevant Gas Transporters <i>and, if appropriate, the ISOP</i> , ensure that...'
Standard Special Condition A15, Part A, para 4, page 107	As set out above, we suggest an ISOP reference could be helpful. We suggest amending to read 'The licensee must, together with Relevant Gas <i>Transporters and, if appropriate, the ISOP</i> , ensure that the UNC sets:....'
Standard Special Condition A15, Part A, para 4(a), page 108	As set out above, we suggest an ISOP reference could be helpful. We suggest amending to read '...Relevant Gas Transporter, <i>the ISOP and...</i> '.
Standard Special Condition A28, para 9, page 126	In the equivalent electricity transmission provision, the ISOP is included in the list of parties falling within the definition of ' <i>Interested Parties</i> ' and it appears that the same should be included here.

Gas Transporter Standard Licence Conditions

Reference	ESO comments
Condition 1, para 1, (definition of 'Gas System Planner Licence), page 14	On further review, we suggest that further consideration is given to whether the words ' <i>or treated as granted</i> ' should be included here. We are not clear that the legislation merits including those words as it does for electricity. We note that this will apply equally to the definition in the FSO's licences.
Condition 9, para 1, page 6	Please consider whether provision should be made here to capture efficient discharge of obligations imposed on the ISOP by virtue of its functions under the gas system planner licence. We note that a similar change is proposed in relation to the STC.
Part II, Condition 9, para 6, page 8	We propose adding a reference to the ISOP as follows: ' <u>...relevant gas transporters and, where relevant, the ISOP.</u> '
Part II, Condition 9, para 23, page 18	At the definition of 'self-governance criteria' we propose inserting a new line ' <i>v. – the ISOP; and...</i> ' to include consideration of the ISOP as a condition for self-governance decisions.
Part II, Condition 25, para 1(b)(iii), page 109	We propose adding a reference to the ISOP as follows: ' <u>...opportunities for doing so, or may assist the ISOP in fulfilling its duties.</u> '

Smart Meter Communication Licence

Reference	ESO comments
	No comments