

19th January 2024

Cadent Gas Limited
Pilot Way Ansty Park
Coventry CV7 9JU
United Kingdom
cadentgas.com

Future System Operations Team
Ofgem
10 South Colonnade,
Canary Wharf,
London,
E14 4PU



By email: FSO@ofgem.gov.uk

Future System Operator – Draft amendments to other impacted licences

This letter outlines Cadent's view on the proposals contained within Ofgem's non-statutory consultation – Future System Operator – Draft amendments to other impacted licences.

We recognise that Ofgem have structured the proposed draft changes as those required to enable the Future System Operator (FSO) to undertake its immediate responsibilities from day one, and the additional licence areas that may require amendments dependent upon future policy areas and decisions.

Our response lists both the points that we would value Ofgem clarity on and also the points where we believe particular care and consideration will be required prior to confirming the final drafting as part of the subsequent licence amendments process steps.

With regards to our comments on the proposed draft changes to the Gas Transporter Special Condition A11 (Network Code and Uniform Network Code):

- Cadent are supportive of the proposition to create a regulatory relationship between the FSO and Uniform Network Code (UNC), as we believe the energy transition will require a whole system approach with the FSO playing a critical central role.
- Careful thought is required, informed by industry engagement on the creation of a new class of signatory to facilitate the FSO's accession to the UNC within the existing governance existing arrangements – e.g., non-voting parties possessing the ability to

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propose modifications, and non-voting parties being present (virtually or in-person) during UNC panel votes. A small industry advisory group may be helpful in supporting this work.

- Linked to the above, it would be helpful to understand the required timescales for any derogations to enable the new class of signatory, and how they accommodate important process steps such as UNC engagement, consultation, and the drafting of legal text etc.
- Ofgem have a presence at UNC Panel meetings through their representative (currently Matthew Brown). The Ofgem representative does not hold a UNC panel vote, is unable to raise modifications (with the exception of the scenarios of Standard Special Condition A11 (15CE) and does not submit consultation representations.

The draft consultation proposes to permit the FSO to raise UNC modifications and respond to consultations. It would be helpful to understand Ofgem's views on the FSO's relationship with the regulator (with regards to Ofgem's authority role in the administration of the UNC), and how their accountabilities sufficiently differ to require the ability to independently propose modifications and submit consultation representations. The close strategic relationship between Ofgem and the FSO, underpinned by common Strategic Priorities applied by Government, will need to be considered in shaping the FSO's role within the UNC governance.

As the FSO's Licence duties will largely be derived from the existing GT Licence for National Gas, we would welcome a discussion on the applicability of other Code related obligations such as Special Condition A12 and whether as a network 'player', these should also apply to the FSO.

- Although not explicitly included in the draft consultation proposals, it would be helpful to understand Ofgem's thinking on any future intention to enable the FSO as a UNC Panel voting member.

We are committed to working with Ofgem, the FSO, and wider industry to deliver a whole system approach to the energy transition, and we welcome any comments in response to our representation.

Yours faithfully,

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Edward Allard
Industry Codes Manager

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