

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

23 October 2023

**Future System Operator (FSO) draft licences consultation**

Dear Future System Operation Team,

Thank you for the opportunity to respond to the above-mentioned consultation.

This response is submitted on behalf of National Gas Transmission (NGT). Our answers to the specific call for evidence questions are included in Annex 1 to this letter, which can be treated as non-confidential. We provide feedback on specific areas in Annex 2, which we request are treated as confidential.

We have appreciated the constructive engagement and discussion with DESNZ, Ofgem and the Future System Operator (FSO) thus far but think we do not yet have sufficient clarity on the specific roles and responsibilities the FSO will undertake. We believe that this requires greater clarification through more detailed engagement across the industry, including expansive detail on the FSO's licence conditions and Uniform Network Code, intended processes and associated documents, and in the Uniform Network Code. As we head towards implementation in 2024, we also suggest that further stakeholder engagement led by Ofgem and the FSO would be beneficial to ensure that industry has the full clarity needed to make the implementation of the FSO a success.

We hope that this feedback is useful, and if you have any questions or comments, please do not hesitate to contact Paul Sullivan, Head of System Capability and Risk at [paul.j.sullivan@nationalgas.com](mailto:paul.j.sullivan@nationalgas.com).

Yours sincerely

[by email]

Tony Nixon  
Regulation Director  
Gas Transmission

## Annex 1: consultation question responses

**Q1. Does the draft ESO licence capture the policy intent set out by the joint ‘Proposals for a Future System Operator’ and ‘Future System Operator: second policy consultation and project update’ consultations?**

To the extent that the licence sets out the requirements on ESO/FSO in regard to the three gas related activities (Gas System Planning, Gas Market Strategy and Long-Term Forecasting) then we believe that the licence proposals are consistent with the original intent and consultations on FSO.

One key aspect of intent for the FSO related to its advisory role to Ofgem and HMG is not clear. The proposed licence drafting is process driven in nature and ~~ot~~ needs to set out more clearly the advisory role which we believe is key to the success of the FSO and where it could offer most benefit to the key stakeholders in the energy industry.

**Q2. Does the draft GSP licence capture the policy intent set out by the joint ‘Proposals for a Future System Operator’ and ‘Future System Operator: second policy consultation and project update’ consultations?**

Yes, to the extent that only the high-level concepts/goals were defined in the original consultations. For instance, from the detail of the consultations it was assumed that there was a defined activity for Strategic Network Planning within the GSO whereas in practice this is a collection of inter-related processes that produce essential outputs for the investment and day to day operation of the gas NTS, one such output is the longer-term business planning of the network. This has been recognised in the constructive engagement we have had with Ofgem, ESO and DESNZ since the consultation and has been accepted as a driver for a number of activities and associated capabilities to be duplicated between ESO/FSO and GSO.

There is also a need to provide more clarity on the Day 1 scope of the FSO in relation to GSP and how it will interact with existing obligations, processes, the wider industry etc., particularly in relation to the methane network’s interaction with hydrogen. Perhaps more importantly, it is not clear how the role/scope of ESO/FSO will evolve over the initial period to encompass whole energy thinking – early clarity and resolution of this aspect is critical.

Whilst the licence proposals are clear on the mechanics of the role of FSO, they raise questions over potentially conflicting accountabilities, e.g., the regard ESO/FSO will have for security of supply. This could impact delivery of vital obligations such as energy security to consumers and future investment proposals essential for the resilience and reliability of the network.

**Q3. Do you have any other views or comments relating to the proposed approach to associated documents?**

In working with Ofgem and ESO/FSO since the original consultations it is accepted that a number of the activities proposed to be undertaken by ESO/FSO in relation to gas planning will be duplicated between GSO and ESO/FSO and whilst we will be working closely with ESO/FSO the inputs to and outputs from that work may well differ

With NGT retaining the obligation to provide security of supply to consumers it is essential that it retains the ability/right to develop its own assumptions, including supply and demand forecasts, for the gas network that we consider appropriate to meet this obligation. Whilst these will be discussed proactively with the ESO/FSO it should not be an obligation to agree these inputs/values.

It is unclear whether condition B5 removes the current arrangements for the ESO's production of these forecasts on NGT's behalf, and moves the obligation to the FSO, or whether there will be obligations for both NGT and the FSO to produce forecasts.

**Q4. Have we correctly identified the major consequential impacts of the FSO licence proposals on other licences? Any further comments are welcome.**

We do not believe it is possible to fully appraise this until the drafting of the consequential changes to the GT licence and other documents are drafted and consulted upon. This may then also require iterative changes to the FSO licence conditions and associated documents once this more holistic view, and a sequential plan, become available.

For example, the process of identifying a capability need on the methane network, the decision on an appropriate solution and the execution of that solution (be it assets, commercial tools or rules change) must not be compromised or delayed by the proposed new way of working/governance mechanism introduced with the inception of FSO. The requirements of the network and its consumers to maintain energy security/continuity of supply are obviously the priority.