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Future System Operations Team
Office of Gas and Electricity Markets
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London, E14 4PU

Email: FSO@ofgem.gov.uk

20th October 2023

Dear Ofgem

Re: Consultation on the Future System Operator (FSO) Draft Licences

Thank you for the opportunity to provide representation on the above noted proposal. Northern Gas Networks has been actively involved in workgroups and discussions relating to the Energy Code Reform. We have set out the key points and comments, in relation to the three consultation questions, in the attached Appendix 1.

We note that you do not expect the consequential impacts of the DSO policy decisions on other licences to be clear until the provisions relating to the FSO price control and financial Provisions have been drafted. We have taken this into account when reviewing the draft GSP licence and look forward to being consulted on these in due course.

Due to the level of detail within licences, and the interaction, and potential for duplication within and between these it should be noted that a standard 30-day consultation period does not feel sufficient for the level of scrutiny required. We therefore ask for this to be taken into consideration for further consultations in relation to these licences.

We would like to highlight that, whilst we can see the logic in one licence holder, there is a risk that the existing ESO holding both (new) ESO and GSP licences that they may continue to be electricity centric. We would encourage steps to be in place to ensure that there is a balanced range of industry experts having the experience and depth of knowledge to operate at a whole system approach level.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



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the network**

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Appendix 1 - Consultation questions and responses.

Question 1: 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 consultations and project update consultations?

As a Gas Transporter, due to the limited consultation time we have focussed our response on the GSP licence, and therefore do not have any comments to offer in relation to the ESO licence at this time.

Question 2: 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 consultations and project update consultations?

Some of the points raised below will occur in other areas or be a general theme throughout the GSP. In these instances, we have not highlighted all areas where the concern is duplicated. Electricity centric language is used to extensively throughout section C5 (Critical National Infrastructure), and C6 (Energy resilience) but is also found in other areas of the draft licence. Including instance where the licence refers to National Electricity Transmission System where we believe this should either include, or be exclusively, the National Gas Transmission system. This is the same in relation to use of Distribution System, and whether this should also include, or be exclusively, Distribution Network.

Condition B5

Paragraph 2. Further clarity is required to ensure that there is no risk that information under one of the licences can be used in relation to work carried out under the other. As the ISOP is one company holding the two licences, this needs to be clear as to ensure that the legal entity holding both licences has the required divisions in place.

Condition B6

Paragraph 5. (b) carves out the National Gas Transmission (NGT) licence, and (d) carves out the UNC. There is no specific carve out for other Gas Transporter licences, so the assumption is that this level of detail will not be considered below NGT level for the initial licence. Clarity around this point would be welcome.

Condition C1

We note that the design and modelling is linked to the still being developed CSNP and FES and therefore the relevant gas forecasting licence conditions are expected to be consulted on at a later point; we do however have the following observations:

Paragraph 1. This is in relation to Primary and Secondary Duties, which as defined include the security of supply objective as per the Energy Act 2023. The assumption is that this would therefore include 1-in-20 obligations. This needs to be clearly laid out and that any planning carried out by the GSP is required to be on the same basis as the Gas Transporters existing obligations.

Paragraph 4 (a). This talks about 'strategic planning' of pipeline systems, however this needs to be made clearer as to whether this is in relation to NGT systems only or also includes the distribution networks. Clarity around the strategic planning timeline should also be considered.

Paragraph 4 (b). This talks about exchanging of necessary information in relation to strategic planning. As per the above point this needs to be clear as to whether this is information at a NGT only, or distribution inclusive level. And if the latter, that the appropriate licence conditions, or other legal basis, as well as the relevant mechanisms and timelines, are in place to allow the Distribution Networks (DNs) to provide this.

Paragraphs 4 (f),(g) & (h). These refer to the ISOP publishing analysis, scenarios & forecasts. This again supports the need for the GSP to have the same 1-in-20 obligations as Gas Transporters. The level of information provided under these paragraphs should be to a level that can be used by each of the Gas Transporters, and or other relevant parties, and not just at a National Level.

Paragraph 6. This states that the Authority will issue and amend the ISOP Roles Guidance by direction. We would assume that these will be consulted on, as standard, at a later date. If this is not the case, please can we ask as to the reason?

Condition C4

Paragraph 3. This is in relation to the Gas Supply Security Assessment. We would like further clarity around whether this planning is at NGT or DN level as well as consideration of impacts in relation to under or over forecasting, especially in relation to the 5 and 10 year time intervals, and how any storage or Planning & Advanced Reservation of Capacity Agreements (PARCAs) will be taken into account.

Condition C5.

This (and condition C6) has numerous instances of referring to National Electricity Transmission System and/or Distribution System. We believe these should either include, or be exclusively, the National Gas Transmission System and/or Distribution Network.

Condition C6

We welcome the linking of whole energy system and believe that this will allow the linkage and interactions between gas and electricity demand and planning to be taken into account, providing better overall resilience. We note however that 'whole energy system' is not a defined term and would encourage this to be defined to ensure clarity.

Condition C7

Further clarity as to the scope and interactions of the future market forums needs to be provided. It seems that these will need to involve participants from the wider industry, including Gas DNs. Therefore having clearly defined terms, including membership and quoracy as well as obligations and scope of remit, would be of benefit especially in other parties being able to assess the level of resource and expertise required. Associated conditions within other relevant licences may also be required.

Condition E1

Paragraph 1 talks about the GSP acceding to the UNC. Under the UNC, Parties are defined as Gas Transporters (including Independent Gas Transporters) and Shipper Users. The UNC however allow other entities to be able to raise modifications under UNC Modification Rules (MR) 6.1 'Relevant Persons'. We would therefore suggest that the GSP condition is amended and that a UNC modification proposal is issued by The Authority to add the GSP as a Relevant Person under a newly created UNC MR 6.1 (i).

Question 3: Do you have any other views or comments relating to the proposed approach to the associated documents?

Noting your comment that there are not expected to be any additional associated documents, but that you expect there to be consequential impacts on existing Gas Transporter Licence Conditions, and that these proposed amendments will be consulted on at a later date, especially in light that a number of the proposed changes will be in relation to the Price Control and Financial Provisions of the GSP, which are yet to be advised: We ask that these are consulted on prior to finalisation of the ESO and GSP licences, as this later consultation may identify amendments required to the new licences in addition to, or instead of, amendments to the existing Gas Transporter Licences. At this time we would like to comment on the following:

GT SSC A11: Changes to reflect FSO relationship with UNC. As stated in our response to condition E1 above, we propose that the UNC is amended for the FSO/GSP to become a Relevant Person under the UNC and therefore be able to raise modification proposals etc. If they are a party that is acceded this potentially impacts of multiple areas of UNC governance, including the UNC Panel, which we do not believe is the intent of the interactions. If there is a desire for the GSP to fully accede to the code, then further interactions and mirroring in relation to SSC A11, A12 & A15 may need to be considered.

Consistency Rules and Style Guide

You state your use of a number of rules in relation to the style of these new licences, including use of plain English, active voice and the use of 'must' in place of 'shall'. We would like to encourage future development of all licences to conform to the same standards so that there is unity of language and style across all the energy licences, making interactions and alignment between the licences clearer.