

By email: [nesoproject@energysecurity.gov.uk](mailto:nesoproject@energysecurity.gov.uk)  
[FSO@ofgem.gov.uk](mailto:FSO@ofgem.gov.uk)

9 May 2024

Dear Sir/Madam,

### **Statutory Consultation on National Energy System Operator (NESO) licences and other impacted licences**

Transmission Investment (TI) is a leading independent electricity transmission business in the UK, with over ten years of experience developing, acquiring and managing large complex infrastructure projects. TI manages one of the largest offshore electricity transmission portfolios in Great Britain (GB), in total we currently manage approximately 4GW of transmission and £3billion in capital employed. TI is also leading the development of two electricity interconnector projects in support of the UK's Net Zero ambition. This includes a proposed 700MW link between Northern Ireland and Scotland, known as LirlC, as well as the 1,250MW FAB interconnector between GB and France. We are a strong advocate of introducing competition to deliver electricity transmission faster and cheaper, and we continue to support the development of the required arrangements for these competitive processes. We welcomed the Energy Act 2023, and associated secondary legislation<sup>1</sup>, which provided the basic statutory framework for competition in onshore electricity networks and continues to have cross-party support.

We welcome the opportunity to respond to the joint statutory consultation of DESNZ and Ofgem on the National Energy System Operator ("NESO") licences and other impacted licences ("the Consultation"). This is an important part of the detail that will give effect to the intent of the legislation and alongside other instruments, such as the Strategy and Policy Statement, provide the guiderails for the NESO in delivering the consumer benefits from competitive delivery of onshore electricity projects. The importance of the NESO's role cannot be understated and it is important to ensure consistency through the framework (from primary legislation, through licences to the industry codes) to avoid ambiguity in priority or arbitrary differences in approach. Therefore we would raise some issues regarding consistency in the licence duties that may undermine the approach to delivering the detailed responsibilities of the NESO set out in the licence. There is a need to have consistency and clarity in the licence so that the NESO's role is clear and it can be effectively held to account.

We were pleased to see, in the draft licence in Annex E, reference to NESO's Early Competition responsibilities in condition C13.13, and note in Ofgem's response to comments on "*Section C: Strategic and operational functions*" they note, "*the network planning and early competition related licence conditions have now been added to this section to reflect the Decision on the framework for the FSO's CSNP.*"

However we would highlight the inconsistency in the licence structure, as drafted, relating to the description in C1 of the general obligations of the ISOP activities, with respect to developing competitive markets, which should align to the wider statutory duty on NESO to have regard to the need to facilitate competition.

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<sup>1</sup> Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024

In Part C of the draft NESO licence, in relation to the ISOP activities, the obligations relating to Balancing Services C1.1 (c) has an explicit reference to “development of markets”, associated with that activity. This is inconsistent with the obligation drafting for C1.1 (d) related to the development of the energy system, which should have the same high-level obligation in order to give due weight in the duty for the NESO to similarly develop the market for onshore network competition to protect the interests of the consumer.

As the introduction of early-competition is a new framework, we see the need to give the NESO a similar obligation (as was set for the development of competition in Balancing services) to act to promote new entrants and to build the systems and processes to maximise the likelihood of benefits being delivered to consumers.

We would propose that *Condition C1 “General obligations on ISOP activities”, Part D “General obligations related to the coordinated development of the energy system”* should have explicit reference to a competition obligation for NESO and to be consistent in the obligations under Part C. Specifically this should add comparable obligations under Part D from Part C, including (but not limited to):

- Adding to title of Part D: “...and development of the market for onshore projects.”
- signal as far in advance as reasonably possible the forecasts volumes (as per C1.5 (a)(3))
- ensure the effective and non-discriminatory participation, including not unduly restricting new and existing service providers from competing; (i) in close cooperation with all market participants, establish technical requirements (as per C1.5 (b))
- anticipate future requirements by using and developing competitive approaches to procurements, wherever this is in the best interests of current and future electricity consumers (as per C1.5 (d))

We hope the contents of the letter are helpful and we would be pleased discuss any points raised.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mark', with a long, sweeping horizontal line extending to the right.

**Mark Fitch**  
Corporate Development Director

