

REA Response To The NESO Licences And Other Impacted Licences Statutory Consultation

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

Our Response

The REA welcome the establishment of the National Energy System Operator (NESO) and recognise its importance and key role in designing future arrangements for our energy system to transform the system to be ready for the UK's decarbonisation goals.

We are also in support of the licencing arrangements for NESO as an Electricity System Operator (ESO) and a Gas System Planner (GSP) under Section 6 of the Electricity Act 1989 and Section 7AA of the Gas Act 1986 respectively, and we agree with the chapter structure of the licences. Furthermore, we agree with Secretary of State and Ofgem having powers through the Energy Act 2023 to make modifications to NESO's licence and codes for a period of three years beginning when NESO is first designated however any modifications carried out must done with industry and wider stakeholder consultation and the industry stakeholder advisory group should be utilised by the Government to monitor the progress of NESO and its actions, and hence feed into proposed modifications to NESO licences.

On another note, there needs to be a greater, more in depth explanation on how serious Government and Ofgem will take advice from NESO regarding the transition to a net zero energy system in the UK and ensure we reach all decarbonisation targets on time, and how likely they are to take on board advice from NESO and implement it, being careful not to undermine the powers of NESO.

Additionally, we support the direction that the existing transmission licence of NG ESO is converted into NESO's ESO licence and that NESO's licence will carry over a regulatory finance position from its predecessor, NG ESO. As well as that NESO's Regulated Asset Value will represent capitalised spending that NG ESO had undertaken on behalf of consumers, but which it has not yet recovered from them. But there must be complete transparency in regard to how NESO is investing and how this cost is being born by consumers and the wider industry. It is crucial that any costs are controlled and are

transparent. Lastly, the details on robust reputational incentives with links to, and especially staff remunerations for NESO need to be elaborated on.

May 2024