

# National Energy System Operator (NESO) licences and other impacted licences: statutory consultation

## *National Grid plc response*

**This response to Ofgem’s “National Energy System Operator (NESO) licences and other impacted licences: statutory consultation” dated 28 March 2024 (the consultation) is from National Grid plc (NG), on behalf of our transmission business, National Grid Electricity Transmission (NGET), our electricity interconnector business, National Grid Ventures (NGV) and our electricity distribution business, National Grid Electricity Distribution (NGED). It does not cover the separate National Grid Electricity System Operator business.**

The National Energy System Operator (NESO), once established, will sit at the heart of the energy system and has the potential to drive the transformation of our energy system at pace to achieve ambitious decarbonisation goals. For this potential to be realised it is essential that all NESO stakeholders understand the scope of the NESO’s role and how it is intended to change and evolve, so that they can collaborate and support the NESO to deliver shared outcomes and objectives. As such, we welcome this statutory consultation on the new Electricity System Operator (ESO) and Gas System Planner (GSP) licences giving further detail and clarity on how the new roles and activities are expected to be delivered by the NESO.

We recognise the good progress being made by the Department for Energy Security and Net Zero (DESNZ) and Ofgem in establishing NESO. In particular, we are grateful to Ofgem for its proactive, pragmatic, and collaborative commitment to ensure a regulatory recovery route for our costs to separate ESO from National Grid Group. We welcome the inclusion of provisions in the ESO licence (Annex E) for National Grid to continue to recover its costs to separate ESO from National Grid including separation costs up to Day 1 (via the FSO Transition Intragroup Contract), our Day 2 separation costs through a commercial agreement with NESO, and support for transitional service agreements.

Below we have summarised our key points in response to the consultation. This is followed by sections covering our feedback to the proposed modifications to each respective licence as set out within the Annexes of the consultation, including key messages and specific drafting changes or suggestions, and requests for further clarity. Unless otherwise stated, references to specific provisions are those as numbered in Annex E, the ESO licence. Where provisions are the same in the GSP licence, for example for Future Energy Pathways, our feedback also applies to those.

We look forward to working with Ofgem, DESNZ and NESO to develop the various associated documents that will set out the detail and obligations that are referred to in the licences, both for the strategic planning aspects and implementation of other NESO roles and responsibilities.

### Key points

- **Ensure that the benefits of strategic planning are maximised through ambitious thinking and delivery.**

Achieving the NESO’s potential to drive the transformation of the energy system to meet the 2050 net zero targets and provide wider ongoing social, environmental and economic benefits requires ambitious thinking and delivery. It requires a step change from an approach that incrementally considers what network is needed, to a broader consideration of how we decarbonise our economy and unlock the full potential of the energy transition. If done in the right way, the SSEP has the potential to fulfil this ambition and we strongly support an approach that facilitates longer term thinking by starting with a vision for 2050 and beyond, and designing the network and capacity hubs in line with that view. The SSEP and CSNP can also play a key role in translating government policies and targets into deliverable strategic network plans, for example, by endorsing the SSEP and CSNP in planning and reflecting the ambitions for interconnection. We would welcome further engagement with DESNZ, Ofgem and NESO to shape the details of the SSEP and other strategic planning processes, including appropriate and clear governance arrangements, so that the benefits of this new approach to consumers, the economy, communities, and the environment are maximised.

- **The timing for the development and publication of strategic planning exercises, associated guidance documents and methodologies and their interaction with one another requires further refinement and specific timelines should not be included in the Day 1 licences.**

The role of the NESO in producing the Future Energy Pathways (FEP), Strategic Spatial Energy Plan (SSEP) and Centralised Strategic Network Plan (CSNP) is of particular importance. These pathways and plans will be critical in shaping the future electricity system and ensuring the network that will help unlock net zero and ensure that greater energy security is delivered where and when it is needed. However, the methodologies and the interactions between the FEP, SSEP and CSNP are still to be developed and it is the first time the NESO, with the relevant inputs from industry, will be producing these pathways and plans. The first SSEP and CSNP will be a learning exercise for all parties and the more flexibility we have collectively to navigate a new and complex process the more likely it is to deliver the required outputs, both in terms of timeliness and quality.

It is therefore inappropriate to set out specific timeframes to produce the first version of these documents within the body of the licence, as is currently proposed in Annex E of the consultation (Conditions C15, C16 and C17). Getting the design of the process right should be the focus, and this should not be constrained by specific timings established in the licence before there is more clarity on the details of the processes, outputs and their interactions.

We propose that instead of setting out prescriptive timeframes to produce the various documents in the licence these should instead be established in the associated guidance documents and commissions referred to in conditions C15.8, C16.9 and C17.7, and to be developed in collaboration with stakeholders. This should focus on allowing delivery to continue at pace while delivering outputs of the required standard. The licence should then oblige the NESO to deliver in line with the timeframes set out in those documents.

- **The interactions between strategic planning exercises needs to be considered and developed, recognising the policy intent for strategic planning to include greater strategic optioneering and environmental assessment.**

Understanding and defining the interactions between these separate but linked activities (FEP, SSEP, CSNP and RESP), and ensuring that they are aligned and complementary, will be key to success. We would welcome further discussion with Ofgem and NESO about how and when in the respective processes it is envisaged that these will interact and how the governance will be set up so that the expertise of stakeholders can be leveraged to deliver the best outcomes for consumers, communities, society and the environment. As well as establishing the timeframes for publication and review, the methodologies and guidance documents should also define the interactions between the various strategic planning processes as well as ensuring that the outputs are of a sufficient standard to allow them to be endorsed in planning. For example, the FEP and SSEP will be inputs to the CSNP and it is important they are finalised with enough time to allow the CSNP process (and relevant stakeholders) to take account of the FEP and SSEP and then complete other critical elements of the CSNP process, such as developing appropriate options to feed in, and carrying out the Strategic Environmental Assessment and public consultation. This will ensure that there is enough time for the outputs of one activity to be used as an input to another. At present the expected interactions between the various strategic planning processes is unclear.

As currently drafted the licence does not reflect the policy intent to allow more time for the development of network plans, so that the outputs can be taken forward with more confidence. For example, the dates for the publication of the CSNP methodology and the CSNP are scheduled for the same financial year. This would significantly limit the value of the proposed CSNP process, and it would be impossible to conduct sufficient optioneering, a Strategic Environmental Assessment, and public consultation within those timeframes. There should also be room for these processes to be iterative, with outputs from one informing the development of another in a circular, rather than linear, way.

To support timely delivery, we do not agree that the Authority could have up to a year to approve a methodology for CSNP, and for the publication of that methodology to be tied to a specific timeframe when in practice it could be published sooner if approved. As outlined in the licence, the Authority should be consulted in the development of the methodology, therefore the approval of methodology should represent a formal governance step to be completed in a timely fashion to allow the methodology to be published and used by stakeholders as soon as practicable.

We would also like to reiterate our response to the consultation on policy direction for the NESO regulatory framework<sup>1</sup> highlighting the need for independent verification of the outcomes of strategic planning exercises as the NESO builds capability and the processes become established, as well as a clear route for dispute resolution. Having these in place

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<sup>1</sup> [Policy direction for the Future System Operator's regulatory framework \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/policy-direction-the-future-system-operator-regulatory-framework)

from the start will give confidence in the process and the outputs, helping to maintain pace and therefore benefits to consumers.

The definition of the 'Commission' for the SSEP suggests that some of these aspects, such as timing, interactions with wider strategic plans and governance of SSEP will be included within that Commission. Without sight of that Commission it is not possible to comment on whether we agree with the proposed process and interactions between different strategic planning exercises. It is important that stakeholders are involved in the development of the interactions and iterations of strategic planning exercises, and we would welcome further discussion with Ofgem, NESO and DESNZ on these issues. Further, and in line with our detailed feedback below regarding interested parties that should be consulted, we look forward to engaging with the consultation process for the SSEP methodology in due course.

We would also welcome clarity on the intended significance of licence condition C13 relating to the obligation of the licensee to produce a NOA. We understand that the new conditions (C15-17 inclusive) replace the need for the NOA process.

- **The ambition for Regional Energy Strategic Planning is currently unclear.**

The role of the NESO as the delivery body for Regional Energy Strategic Planning is currently absent from the ESO licence, and it is therefore unclear how and when this role is expected to be implemented. We are conscious that the process for the next electricity distribution price control ('RIIO-ED3') will begin shortly and would welcome clarity on the expected ambition for the RESP process and if it is expected to be used for ED3. Being clear on how we deliver RIIO-ED3 while there is uncertainty around the RESP process and ensuring that ED3 is compatible with outputs of FEP, SSEP and CSNP, is essential. As above, it will be important to define the interactions of the RESP process with the FEP, SSEP and CSNP and define the governance arrangements between NESO and RESPs. As per our response to Ofgem's local energy institutions and governance consultation (10 May 2023)<sup>2</sup>, we believe that the RESP should be established as a "federation" of autonomous RESPs who operate independently but are institutionally part of the NESO; we are ready and willing to engage in the design of the RESP methodology and governance arrangements. We would like to highlight the importance of information sharing to create regional plans efficiently for all. For example, in defining the RESP methodology, we support establishing standardised data sharing including agreeing set information transfers of data in the right format and at the right time in the planning cycle.

- **Data requests should only be made where necessary.**

We understand that in fulfilling its new roles and responsibilities NESO will require data that has not previously been required. We strongly encourage NESO to work with parties to firstly establish what information is publicly available. Where licensees are required to provide data that is not publicly available, we expect that the NESO will work with the licensee to define the parameters of the data request so that it achieves the intended objectives and that there is sufficient time for data to be provided. We expect that the power conferred in licence condition D2, to request information under section 172 of the Energy Act 2023, will only be used in circumstances where the licensee is not collaborating with the NESO. The use of this power should not be the first step in engaging with licensees regarding data requests as it has the potential to create a significant administrative burden. We look forward to further engagement on the development of the ISOP Information Request Statement and stand ready to work with the NESO regarding provision of data required to fulfil its obligations and functions.

Further, condition C.12 in Annex E has the potential to place a significant administrative burden on licensees on an annual basis. As above, information should only be requested where necessary and not already published elsewhere, for example on the DNO/DSO websites and information platforms. We would welcome further guidance and details of the limitations on when condition C.12 can be used.

- **NESO will need to work with stakeholders to prioritise activities from Day 1.**

As outlined in the draft ESO licence, much of the detail sitting behind various licence conditions is yet to be developed and delivered. Given the volume of work still required to deliver the transition from ESO to NESO we would welcome an open discussion about which areas should be prioritised to ensure that it is a smooth transition and allows delivery to continue at pace. The Strategy and Policy Statement (SPS), as designated, does not provide this clarity and so it will need to be set out elsewhere. Collaborating with stakeholders in an open and transparent way will be essential to deliver the volume of work required for Day 1 and beyond.

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<sup>2</sup> <https://www.ofgem.gov.uk/publications/consultation-future-local-energy-institutions-and-governance>

## Feedback on specific Annexes

### *Annex C: Licensing Direction*

We do not have any specific comments on the Licensing Direction.

### *Annex D: ESO Licence Terms*

We do not have any specific comments on the ESO Licence Terms.

### *Annex E: Electricity System Operator Licence Conditions*

We have focussed our feedback on the licence conditions introducing new roles and responsibilities for the NESO. Where provisions are the same in the GSP licence (for example relating to FEP, SSEP and CSNP) our feedback also applies to those.

#### *B4 compliance with directions relating to national security*

Whilst the premise behind the ability to direct the ISOP to disregard their obligations is understood, such as to deal with National emergencies, the current licence drafting leaves a broad scope for its use and therefore appears not to be aligned to specific underlying Acts or statutory provisions which would allow such direction from the Secretary of State. Further information is required on how any instruction to the ISOP would then relate to other parties, given the ISOP do not hold powers to direct distribution networks, for example, to also be relieved of their own related obligations. As a point of note, it also requires consideration of compliance to industry codes rather than the licence obligation in isolation. Not complying with a particular licence obligation could see the ISOP being non-compliant with the Grid Code, for example. These powers therefore require a much more holistic review prior to ratification into licence.

#### *B7 Information Ringfencing*

Our customers want to understand how their data will be used; it is therefore essential that there is clarity regarding when and how information will be shared and, where there may be exceptions, what those exceptions are. We welcome the detail in the licence condition outlining how the NESO will manage confidential data and the instances where it may be disclosed, alongside the requirement to develop a code of conduct governing the identification, disclosure and use of confidential information. Clarity will be particularly important where there are no existing precedents. It will also be important for the NESO to strike the right balance of being transparent, while only sharing sensitive information when necessary. This will be key to building trust with stakeholders and maintaining the security of information.

#### *C2 Licensee's regard to SPS*

The Strategy and Policy Statement (SPS) that came into force on 1 May does not include specific and clear guidance on how bodies are to manage competing priorities in line with Government policy and preferences. Even with an appropriate SPS, it would not, however, remove the need for monitoring of performance against those objectives. Establishing appropriate and transparent milestones and markers to measure delivery will be key to success. We look forward to further consultation on the details of the regulatory framework for NESO in the coming weeks and for further engagement on how the NESO can prioritise effectively.

#### *C6 Licensee's obligations regarding CNI*

We support the implementation of this condition and would welcome further engagement on where this will impact our processes and to understand what kinds of information will be requested.

We would like to flag the importance of ensuring a continued focus on cross-sector dependencies, such as working with telecoms providers to make sure that the economy is resilient. We would like confirmation that this cross-sector coordination will continue, despite NESO taking a wider electricity and gas focus and we would welcome further engagement on where this will impact our processes and to understand what kinds of information will be requested.

C15 Future Energy Pathways (FEP)

Licence condition reference	Comments	Proposal/Request
C15.4	It is unclear which parties will be consulted on the development of the Future Energy Pathways. This should not be left to the discretion of the licensee.	We would welcome clarity on which parties will be consulted. This should include a broad range of stakeholders including, inter alia, transmission owners and interconnector licensees. These stakeholders should be listed in the FEP methodology.
C15.4	We expect that relevant parties will be consulted publicly.	The current drafting should be amended to reflect the language used in Condition 15.13(b) that specifies other parties should be consulted publicly.
C15, Part A	In submitting the FEP to the Authority for approval there is no requirement to include details of how the proposals were arrived at. We believe that this is important for transparency.	We would welcome the addition of a condition similar to that in C17.14 detailing what the submission to the Authority should include regarding the development of FEP.
C15, Part D	We do not agree that the timings for development and publication of the FEP methodology should be fixed in the licence while the process and interactions with other strategic planning exercises is still being developed. This could lead to the licence driving the process rather than ensuring sufficient time to develop a robust set of assumptions that have been discussed across industry to ensure that the output adds value. The FEP will drive SSEP outputs and lead to CSNP development, as such there is a need for increased scrutiny and testing of base assumptions.	We propose that the interactions between the various processes and the timelines for delivery are outlined in the guidance document as suggested in condition C15.8. The licence should tie NESO to delivery in line with the timeframes defined in the associated guidance and methodology documents. The interactions and timelines for delivery should be developed in consultation with stakeholders.
C15.11	Submission to the Authority of the FEP review/methodology amendments (C15.18) falls within the period specified in this condition for development and delivery of the FEP methodology.	We would welcome further clarity on the sequencing of the development of the FEP methodology and outputs. It is currently unclear how the FEP methodology will be developed and shared for the first iteration of the FEP due to be published by 1 April 2025.



Licence condition reference	Comments	Proposal/Request
C15.12	The methodology should consider European network development plans (e.g. ENTSO-E's Ten Year Network Development Plan)	Clarify how the methodology will consider European network development plans.

#### *C16 Strategic Spatial Energy Plan (SSEP)*

Licence condition reference	Comments	Proposal/Request
C16	We expect that the Commission will be issued by Secretary of State ahead of the licences being finalised.	The current drafting should be updated to reflect the Commission once available.
C16.5	We do not agree with the drafting ' <i>The licensee must develop a Strategic Spatial Energy Plan that will <u>assess</u> the optimal locations</i> '. We expect the SSEP outputs to be more directive.	This should be amended to say ' <i>The licensee must develop a Strategic Spatial Energy Plan that will <u>define</u> the optimal locations</i> '. This is in line with the text describing the policy intent of the SSEP on page 8 of the consultation document.
C16.5	It is unclear what a quantity of infrastructure would be.	This should be amended to be more specific, or amended to clarify what a quantity of infrastructure would be
C16.5	It is unclear which forecasts this is referring to.	Clarify whether this is referring to the Future Energy Pathways or another forecast.
C16.7	It is unclear whether or not the Transmission Owners and interconnector licensees will be consulted on the development of the Strategic Spatial Energy Plan. This should not be left to the discretion of the licensee.	We would welcome clarity on whether Transmission Owners and interconnector licensees will be explicitly included in either of the documents referenced in limb c) and d) of the condition. If Transmission Owners and interconnector licensees are not included in those documents listed in limb c) or d) they should be explicitly listed in this condition and therefore be consulted on the development of the SSEP.
C16.8	In submitting the SSEP to Secretary of State there is no requirement to include details of how the proposals were arrived at. We believe that this is important for transparency.	We would suggest language such as that in Condition 17.14 is included here detailing what the submission to the Secretary of State should include regarding the development of the SSEP.
C16.8	We expect that relevant parties will be consulted publicly.	The current drafting should be amended to reflect the language used in Condition 15.13(b) that specifies other parties should be consulted publicly.
C16.9	It is unclear whether this needs to be limited to the first SSEP, or whether the requirements, scope and timing set out in	Clarify whether the requirements, scope and timing set out in the Commission is expected to

Licence condition reference	Comments	Proposal/Request
	the Commission will be an enduring part of the process.	be an enduring aspect of the process for SSEP development or limited to the first SSEP.
C16.10	As per the key point on page 2 of our response relating to the interactions between strategic planning exercises, the timing of the SSEP needs to be considered alongside the timing of the CSNP.	We propose that the interactions between the various strategic planning exercises, and the timelines for delivery, are outlined in the commission as suggested in condition C16.9. This will ensure that the necessary inputs (eg SSEP for CSNP) are ready in time for them to be considered and for any iterations to be completed. The interactions and timelines for delivery should be developed in consultation with stakeholders.
C16.13	It is unclear whether or not the Transmission Owners and interconnector licensees will be consulted on the development of the Strategic Spatial Energy Plan Methodology. This should not be left to the discretion of the licensee.	We would welcome clarity on whether Transmission Owners and interconnector licensees will be explicitly referenced in the Commission and therefore included in limb c) of this condition. If Transmission Owners and interconnector licensees are not included in c) they should be explicitly listed in this condition and therefore be consulted on the development of the SSEP methodology.
C16.14	As for C16.8 above, we expect that relevant parties will be consulted publicly.	The current drafting should be amended to reflect the language used in Condition 15.13(b) that specifies other parties should be consulted publicly.
C16. Part C	There is no provision in the licence to update the SSEP methodology.	A condition should be added to the licence to provide for the SSEP methodology to be updated. We suggest that the update cycle of every 3 years remains as a backstop, but that there is an option added to allow the licensee and stakeholders to suggest changes sooner if deemed appropriate. A condition requiring consultation to be undertaken on any methodology updates should also be added (as per C17.14, including our suggested amendments).
C16, Part C	In submitting the SSEP methodology to the Authority for approval there is no requirement to include details of how the proposals were arrived at. We believe that this is important for transparency.	We would welcome the addition of a condition similar to that in C17.14 detailing what the submission to the Secretary of State and the Authority should include regarding the development of the SSEP methodology.

Licence condition reference	Comments	Proposal/Request
C17.3(b)	We do not agree with the use of the term 'projects'. This indicates a level of detail beyond what we are expecting to be included in the CSNP.	Change references to "projects" to "options".
C17.4	It is unclear which stakeholders will be consulted on the development of the Centralised Strategic Network Plan. This should not be left to the discretion of the licensee.	While we will seek for Transmission Owners and interconnector licensees to be explicitly referenced in the CSNP Methodology, this will not be known until the CSNP Methodology is finalised. We would therefore request that Transmission Owners and interconnector licensees are explicitly listed in this condition and therefore be consulted on the development of the CSNP.
C17.4	We expect that relevant parties will be consulted publicly.	The current draft should be amended to reflect the language used in Condition 15.13(b) that specifies other parties should be consulted publicly.
C17.5	In publishing the CSNP there is no requirement to include details of how the proposals were arrived at. We believe that this is important for transparency.	We would welcome the addition of a condition similar to that in C17.14 detailing what should be published alongside the CSNP regarding its development.
C17.10	We do not agree that the first CSNP Methodology should be published in the Financial Year commencing 1 April 2026 and believe this may be a typo, as the ESO has suggested they plan to finalise the CSNP Methodology by the end of calendar year 2024.	We would welcome clarity over expected timings for CSNP methodology. If there is insufficient time to implement the methodology, including Strategic Environmental Assessment and sufficient optioneering, then the outputs of the CSNP may be at risk of legal challenge, are unlikely to meet the threshold to be endorsed in planning and may lead to delays in delivery.
C17.10	<p>We do not agree that the timing of delivery for things such as the CSNP Methodology should be fixed in the licence. It is important that the process is robust and the outputs fit for purpose, rather than being driven by timings set in the licence.</p> <p>As the dates currently stand in the licence there is a maximum period of 12 months from publication of the CSNP Methodology to publication of the CSNP. This is not enough time for a thorough assessment</p>	<p>We propose that the interactions between the various processes and the timelines for delivery are outlined in the guidance document as suggested in condition C17.7. The licence should tie NESO to delivery in line with the timeframes defined in the associated guidance and methodology documents. The interactions and timelines for delivery should be developed in consultation with stakeholders.</p> <p>There should also be flexibility for instances where Ofgem has approved the methodology for it to be published as soon as practicable rather than waiting for a specified time frame.</p>



Licence condition reference	Comments	Proposal/Request
	that can deliver robust and reliable outputs capable of being endorsed in planning.	
C17.10	We agree that the CSNP methodology should be refined as needed over time. However, we do not agree that the timings for iterating the CSNP Methodology should be fixed in the licence, as this could be too inflexible.	We suggest that the update cycle of every 3 years remains as a backstop, but that there is an option added to allow the licensee and stakeholders to suggest changes sooner if deemed appropriate.
C17.11	It is unclear which stakeholders will be consulted on the development of the Centralised Strategic Network Plan methodology. This should not be left to the discretion of the licensee	Transmission Owners and interconnector licensees should be explicitly listed in this condition and therefore be consulted on the development of the CSNP methodology.
C17.11	We expect that relevant parties will be consulted publicly.	The current draft should be amended to reflect the language used in Condition 15.13(b) that specifies other parties should be consulted publicly.
C17.13	We understand from the ESO that they intend to finalise the CSNP Methodology by the end of calendar year 2024 and, once finalised, this should be submitted to the Authority for approval as soon as possible, rather than delay until financial year commencing 1 April 2025. The sooner a robust CSNP Methodology is finalised, the sooner the relevant parties can commence development of the CSNP and publish this as close to the 2026 ambition as possible.	The CSNP Methodology should be submitted to the Authority for approval as soon as possible once it is finalised.

## *D2 Information requests by the licensee*

We understand that in fulfilling its new roles and responsibilities NESO will require data that has not previously been required. We strongly encourage NESO to work with parties to firstly establish what information is publicly available. Where licensees are required to provide data that is not publicly available, we expect that the NESO will work with the licensee to define the parameters of the data request so that it achieves the intended objectives and that there is sufficient time for data to be provided. We expect that the power conferred in licence condition D2 to request information under section 172 of the Energy Act 2023 will only be used in circumstances where the licensee is not collaborating with the NESO. The use of this power should not be the first step in engaging with licensees regarding data requests as it has the potential to create a significant administrative burden. We look forward to further engagement on the development of the ISOP Information Request Statement and stand ready to work with the NESO regarding data required to fulfil its obligations and functions.

## *F10 ISOP implementation funding/ B1 Independence Requirements and compliance obligations*

We welcome the inclusion of provisions in the ESO licence (Annex E) for National Grid to continue to recover its costs to separate ESO from National Grid including separation costs up to Day 1 (via the FSO Transition Intragroup Contract), our Day 2 separation costs through a commercial agreement with NESO, and support for transitional service agreements.

**Annex I: Electricity transmission consolidated standard licence conditions (MARKED UP)**

Licence condition reference	Comments	Proposal/Request
Index	Condition A7 (Offshore Transmission Implementation) no longer exists.	Remove from the index page
Condition A1	Paragraph (i) in the definition of “transmission business” is to be removed and this is the only place that refers to “Pooling and Settlement Agreement”	Remove the definition of “Pooling and Settlement Agreement” in Condition A1.
Condition B3	The change on page 56 is to condition B3 but the title of this condition “Disposal of relevant assets and restrictions on charges over receivables” is missing on page 55.	Insert title ‘Disposal of relevant assets and restrictions on charges over receivables’ on page 55.

**Annex J: National Grid Electricity Transmission consolidated special conditions (MARKED UP)**

Licence condition reference	Comments	Proposal/Request
Special condition 1.1	The draft amendments consulted on in December 2023 introduced the definition of “Relevant Year” but this term does not appear in the proposed amendments now. This may be because the current absence of the term is not an issue that is considered to be ISOP related so the term should not be introduced under this process but the term (currently undefined in error) is referred to in the definition of “SIF Funding Mechanism”	Reintroduce definition of ‘Relevant Year’
Special condition 4.7	This condition does not reflect Ofgem’s direction of 11 January 2024 which became effective on 8 March 2024 (although this will not impact on the proposed change to the definition of the term SOTOST set out in this condition)	This condition needs to be updated to reflect the licence modification in Ofgem’s direction of 11 January 2024 which became effective on 8 March 2024
Special condition 6.1	On 27 March 2024 Ofgem published a statutory consultation (under section 11A Electricity Act 1989) on proposed changes to Special Condition 6.1 in the NGET licence. These proposals relate to the introduction of a new pass-through term to allow for the recovery of certain costs relating to the pension arrangements to be put in place on the designation of the ISOP. The changes introduce various new terms in NGET’s Special Condition 6.1 which refer to “NGESO”	If the changes in the 27 March consultation are introduced prior to the impacted licences changes set out in the Ofgem/DESNZ 28 March 2024 consultation then these additional, new references to NGESO will also need to be changed to refer to ISOP as part of the changes directed under section 170 Energy Act 2023. If the impacted licences changes are introduced under section 170 prior to the pension arrangement changes at Special Condition 6.1 of the NGET licence, then the proposed changes set out in Ofgem’s 27 March 2024

Licence condition reference	Comments	Proposal/Request
		section 11A Electricity Act 1989 consultation will need to be changed accordingly to refer to ISOP prior to being directed.

***Annex M: Electricity interconnector standard licence conditions***

Licence condition reference	Comments	Proposal/Request
Section 15 Definitions	The definition of GB ISOP refers to “gas system planner licence”.	Capitalise the reference to ‘Gas System Planner Licence’ to align with the earlier definition in Condition 1. Definitions and interpretation.

***Annex O: Electricity distribution consolidated standard conditions (MARKED UP)***

We do not have any specific comments on the Electricity distribution consolidated standard conditions (MARKED UP)

***Annex T: All electricity distribution special conditions***

We do not have any specific comments on the All electricity distribution special conditions.