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09 May 2024

Dear colleagues,

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

Thank you for the opportunity to respond to the above consultation. This response is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc.

UK Power Networks is supportive of the introduction of the NESO as an independent, public corporation, that can bring important strategic oversight to an increasingly complex energy system. We are further supportive of the proposed changes to the standard distribution licence and to the special licences held by each of our distribution companies, noting that these are generally housekeeping changes. We are comfortable with the majority of the proposed NESO licence conditions, however we do have a small number of comments regarding the scope of Condition 7.4 of the Electricity System Operator Licence as drafted. We expand on this in the appendix to this letter.

If you have any queries regarding our response, please contact Chris Statham ([Christopher.statham@ukpowernetworks.co.uk](mailto:Christopher.statham@ukpowernetworks.co.uk)) in the first instance.

Yours faithfully,

**Suleman Alli**

Director of Finance, Customer Service and Technology

Copy: Sotiris Georgiopoulos, Director of DSO, UK Power Networks  
James Hope, Head of Regulation & Regulatory Finance, UK Power Networks



## Appendix

As noted in the cover letter, we have a small number of comments about the scope and implications of Condition 7.4 of the proposed Electricity System Operator Licence that the NESO will hold. For completeness, the licence condition we refer to is as follows:

*“C7.4. The licensee must, when requested by the Authority or the Secretary of State, provide post-event analysis and assessment in relation to an event that has detrimentally impacted, or could have detrimentally impacted, the licensee, consumers, or any licensed party operating across the National Electricity Transmission System, Distribution Systems or Electricity Generators.”*

We believe the potential scope of this licence condition to be extremely broad and would welcome clarity from Ofgem and DESNZ regarding the intended scope and definition of “event.”. The previous condition, Condition 7.2 providing for “Energy risk and threat advice”, explicitly refers to the whole energy system and if Condition 7.4 is to be read in the same way it suggests that Ofgem or the Secretary of State may request the NESO provide analysis and assessment of every single event, or even near-miss, that happens on our distribution network. This is because it is arguable that any event or near-miss on our network “has detrimentally impacted or could have detrimentally impacted” us as a licensed party and our customers. We request that Ofgem or DESNZ clarify if this condition is intended to refer to any event on the whole electricity system and therefore includes distribution networks and the full range of incidents that occur annually – noting that, on average over the RIIO-ED1 period, there were over 170,000 incidents each year. We believe that there needs to be clarity on the scale of impact from events covered in this condition.

The distribution network is an order of magnitude larger than the transmission network. For context, the onshore electricity network consists of approximately 20,000km of transmission lines and 800,000km of distribution lines<sup>1</sup>. If Condition 7.4 does refer to any event on the whole system, the downstream reporting and analytical expectations on DNOs must be reasonable and proportionate. We currently collect the appropriate level of information for all faults on our network, recognising that circa 80 per cent of incidents on our network are at Low Voltage, each typically impacting fewer than 20 customers. We supplement this with more in-depth analysis on significant network events, for example we conducted a detailed review following Storm Eunice in 2022.

This has a notable interaction with the NESO’s future powers under the Energy Act (2023) to request information from licensed parties<sup>2</sup>. We would therefore expect that the NESO would not utilise its future powers to collect information on incidents outside of those instances specifically requested by either the Authority or the Secretary of State. We would expect to only have to provide the NESO with information and analysis that is proportionate to the magnitude of the event in question in order for the NESO to meet its obligations under Condition 7.4. We note that licensees will be consulted on regarding the ISOP Information Request Statement, which will include the details on issued information requests, and we look forward to feeding into that consultation in due course.

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<sup>1</sup> As according to the government’s own 2021 estimate in their Electricity Networks Modelling - <https://assets.publishing.service.gov.uk/media/62eb91398fa8f50335b35e09/electricity-networks-strategic-framework-appendix-1-electricity-networks-modelling.pdf>

<sup>2</sup> As per Paragraph 172 of the 2023 Energy Act, accessible here: <https://www.legislation.gov.uk/ukpga/2023/52/part/5/enacted>.