

To:
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CC: Transmission Owners, Generators, Suppliers,
Traders, Consumers and Other Interested Parties

Email: NESOregulation@ofgem.gov.uk

Date: 4 February 2025

Dear Colleagues,

Decision to provide consent to National Energy System Operator Limited (NESO) pursuant to licence condition B7 (Information ringfencing obligations) of the Electricity System Operator (ESO) licence and condition B6 (Information ringfencing obligations) of the Gas System Planner (GSP) licence

Background

The licence obligations

Licence condition B7 (Information ringfencing obligations) of the ESO licence, and condition B6 (Information ringfencing obligations) of the GSP licence require NESO ("the Licensee") to ensure that it appropriately manages and secures confidential data and information that relates to the performance of its functions.

B7.2 of the ESO licence and B6.2 of the GSP licence require NESO to identify any confidential data and information it holds related to the performance of its functions that in its opinion should not be disclosed or otherwise be accessible to persons other than the licensee's employees, agents, contractors and advisors due to the adverse impact such disclosure or access may give rise to.

Further, under B7.4 of the ESO licence B6.4 of the GSP licence, the Licensee must ensure such data and information is not accessible to any person who is involved in the delivery of the Operational Services Agreement¹ (OSA) or the Transitional Services Agreement² (TSA), unless the Authority otherwise consents.

The Licensee has requested that the Authority grants such consent to share information identified under B7.2 of the ESO licence and B6.2 of the GSP licence with persons involved with the delivery of the TSA and/or the OSA.

TSA and OSA

NESO has a TSA with National Grid UK Limited (NG), which provides for it to receive a broad range of services from NG to support its business activities. These arrangements are time-limited and shall last until NESO builds standalone capabilities for these services. The services provided by NG under the TSA are primarily related to IT infrastructure.

NESO also has an OSA with National Grid Electricity Transmission plc (NGET) to provide and receive operational IT services. In this case, some of these services operate in both directions (NESO providing services to NGET, and vice versa). These arrangements replace the previously established operational agreements between National Grid Electricity System Operator (NGESO) and NGET and are required by NESO for it to continue to operate Critical National Infrastructure (CNI) and to fulfil its roles and functions.

The OSA and TSA broadly cover:

- IT networking services;
- Cyber, physical or other security services;
- Risk and compliance services;
- Information technology services, such as application hosting, hardware and software support;
- Operational telecoms;
- Meter operating arrangement services; and
- Operational services relating to CNI.

¹ Means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.

² Means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.

Relevant OSA and TSA information and Data protections

The TSA and the OSA include provisions related to the protection of information and data being shared. For example, both sets of agreements provide that “The Receiving Party acknowledges the confidential nature of the Disclosing Party's Confidential Information, and that it receives and holds the Disclosing Party's Confidential Information under a strict duty of confidentiality to the Disclosing Party”.

Further, as highlighted earlier in this letter, NESO is also required to identify any confidential data and information it holds related to the performance of its functions that in its opinion should not be disclosed or otherwise be accessible to persons other than the licensee's employees, agents, contractors and advisors due to the adverse impact such disclosure or access may give rise to.

The Authority's decision

We have decided to provide a consent to NESO in accordance with Condition B7.4 of the ESO licence and Condition B6.4 of the GSP licence, based on the supporting information provided by NESO, and subject to the conditions outlined in this letter.

We have reviewed the information provided by NESO for the purpose of this consent and believe that the request for consent is in accordance with the provisions of the relevant conditions in Condition B6 of the ESO licence and B7 of the GSP licence. In accordance with its licence obligations, and the requirements of the TSA and OSA, NESO has informed us that it has made arrangements to ensure that confidential data and information is secured.

The TSA and the OSA are required by NESO for it to fulfil its roles and functions, and this necessitates NESO sharing certain information with NG. These time-limited agreements will be replaced by enduring arrangements, at which point the services provided by NG will cease. In the interim, we consider that NESO's request for consent is appropriate given that it has made arrangements to secure the information, and that sharing information with NG is required for the effective operation of the TSA and the OSA. The absence of the TSA and the OSA would have resulted in significant delays to the establishment of NESO.

In accordance with licence condition B7.4 of the ESO licence and B6.4 of the GSP licence, we consent for the licensee to share ringfenced information with the persons involved in the delivery of Transitional Services such that:

- i. The TSA contains clauses that place obligations on the relevant parties to manage and secure confidential data and information that relates to the licensee's performance of its functions;
- ii. The sharing of information is limited to the persons directly involved in the delivery of the TSA services;
- iii. The sharing of information is limited to the extent required for the delivery of such TSA services; and
- iv. The sharing of information relates to the delivery of one of the below TSA services:
- v. IT networking services,
 - o Cyber, physical or other security services,
 - o Risk and compliance services, and
 - o Information technology services, such as application hosting, hardware and software support.

In accordance with licence condition B7.4 of the ESO licence and B6.4 of the GSP licence, we consent for the licensee to share ringfenced information with the persons involved in the delivery of Operational Services such that:

- i. The OSA contains clauses that place obligations on the relevant parties to manage and secure confidential data and information that relates to the licensee's performance of its functions;
- ii. The sharing of information is limited to the persons directly involved in the delivery of the OSA services;
- iii. The sharing of information is limited to the extent required for the delivery of such OSA services; and
- iv. The sharing of information relates to delivery of one of the below OSA services:
 - o Operational telecoms,
 - o Meter operating arrangement services, and
 - o Operational services relating to CNI.

In accordance with its licence conditions, for the avoidance of doubt, NESO must continue to ensure that the ringfenced information and data is secure and that no adverse impacts are given rise to as a consequence of any disclosure of such information and data. NESO shall inform the Authority if any changes are made to the data and information protection arrangements in the TSA and the OSA which may require a review of the consent.

The consent is effective from 1 October 2024 and may be reviewed by the Authority annually and/or as when the Authority otherwise sees fit. The consent will no longer apply in relation to the OSA when the Authority issues an OSA Notice,³ and in relation to the TSA

³ Pursuant to Condition B1.20 of the ESO and GSP Licence.

when the Authority a TSA Notice.⁴ The consent may be amended or revoked by the Authority upon reasonable notice in writing to NESO. Given the nature of TSA/OSA, we will continue to monitor the arrangements. An amendment or revocation may be required, for instance, due to any significant amendments made to the data protection arrangements in the TSA and the OSA.

Yours sincerely,

David Beaumont
Head of NESO Framework Development,
Energy Systems Management and Security

For and on behalf of the Gas and Electricity Markets Authority

⁴ Pursuant to Condition B1.17 of the ESO and GSP Licence.