

Consultation

Review of regulatory arrangements for Dedicated Provision of Network Services

Publication date:	02 April 2025
-------------------	---------------

Response deadline:	09 May 2025
--------------------	-------------

Contact:	James Hill, Luke McCartney and Shubh Mehta
----------	--

Team:	NESO Regulation
-------	-----------------

Email:	NESOREgulation@ofgem.gov.uk
--------	-----------------------------

We are consulting industry on our recommendation to propose a new licensable activity following a review into the regulatory arrangements for dedicated provision of network services. This recommendation has considered industry views, which have been used to inform our assessment of multiple potential policy options against a framework that considered:

- the impact the solution would have on common assessment (a level playing field) in NESO markets;
- whether the solution would provide the appropriate level of regulatory oversight;
- the impact the solution would have on innovation and investability;
- whether the solution would enable the setting of clear roles and responsibilities; and
- the expected ease of implementation of the solution.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

© Crown copyright 2025

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

Executive Summary	4
1. Introduction	6
Introduction.....	6
Identified Issues.....	7
Relevant Publications	8
NESO’s Procurement Strategy for Network Services	9
Rationale for Intervention	10
2. Summary of Call for Evidence Responses	12
Scope and Objective of our Review	12
Services and Technologies.....	13
Level Playing Field Issues in Network Service Procurement	13
Licensing Arrangements and Roles and Responsibilities	14
3. Policy Options	15
Charging and Levy Options.....	15
Licensing Options.....	16
4. Options Assessment	20
Assessment Methodology	20
Assessment of Options	21
5. Recommendation	27
Recommended Option	27
Detailed Assessment	27
6. Next Steps.....	30
Appendix 1 - Your response, data and confidentiality	31
Consultation stages.....	31
How to respond	31
Your response, your data and confidentiality	31
General feedback.....	32
How to track the progress of the consultation.....	32
Appendix 2 – Privacy notice on consultations	34
Personal data	34

Executive Summary

Network services, such as reactive power for voltage and inertia for stability, are vital to ensuring that electricity system operation is stable. Traditionally, these services come from various areas of the system: Transmission Owner (TO) equipment; synchronous generator capability; and some inherent demand capabilities. To facilitate competition between TOs and commercial providers, the GB Electricity System Operator (National Energy System Operator (NESO)) has conducted open tenders for these services. Competition allows NESO to find the most cost-effective delivery of the services over a defined period, which results in lower prices (ultimately realised as lower consumer bills). NESO's Clean Power 2030 advice highlighted the need to increase the number of technologies that provide network services¹ and emphasised their importance in the operation of a clean power system.

Despite the growing importance of the provision of network services, we currently have limited regulatory oversight of commercial providers who own assets which are dedicated to providing network services. In future, we anticipate that it is likely that there will be a significant number of assets dedicated to providing network services critical to operating a clean power system.

To date, some commercial providers have voluntarily applied to be licensed by Ofgem. We understand that this has been driven by a desire to seek a level playing field in exposure to the paying of certain charges (most notably Final Consumption Levies (FCLs)), which licensees – such as TOs – are exempt from. Since 2021 we have used interim regulatory solutions, such as granting commercial providers with generation or transmission licences, depending on the type of asset providing the network service(s).

After considering a broad range of industry views and assessing available options, we believe that it is in consumers' interests to **create a new bespoke licensable activity for the dedicated provision of network services**. We consider that this can lead to a lower cost transition to a secure net zero system.

We will continue to engage with DESNZ and industry on this recommendation in order to create a licensable activity which will enable appropriate regulatory oversight and ensure that providers are accountable for their actions. We also support ongoing review work which provides clarity on the charges and levies which different industry parties should be exposed to.² We consider that such a review should include assets dedicated to providing network services, however this does not prejudice our assessment that a

¹ Page 43 - <https://www.neso.energy/document/346651/download>

² Page 97 - <https://assets.publishing.service.gov.uk/media/677bc80399c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

licensing regime would benefit the GB consumer in providing suitable market clarity and protections.

Therefore, we welcome views from all parts of industry on our recommendation and ask the following question:

Do you agree with our recommendation to create a new bespoke licence activity for dedicated provision of network services? Please provide supporting reasons for your answer.

1. Introduction

Section summary:

This section sets out the origination of our review. It highlights the change we are seeing in the electricity system; the issues faced as a result of this transition; what work we have done to date on this issue; what NESO have done to resolve this issue and; why we are proposing to review the regulatory arrangements for the assets dedicated to providing network services.

Introduction

- 1.1 The transition to Net Zero requires major investment in the energy sector. Ofgem has an active role facilitating this investment and ensuring that it is efficiently spent. We are responsible for enabling competition and innovation, which drives down prices and results in new products and services for consumers.³ Ensuring that regulatory frameworks provide a level playing field to all market participants is a key enabler for competition that drives down prices.
- 1.2 In NESO's⁴ Clean Power 2030 advice to Government, they highlighted that as fossil fuel synchronous generation decreases, the characteristics they had (stability and voltage support) need to be replaced by other technologies and solutions. NESO noted that to achieve year-round operation of a clean power system, delivery of new assets is necessary to ensure sufficient access to network services by 2030, and acceleration of regulatory changes and removal of barriers are required to enable this.⁵
- 1.3 Therefore, it is important that the right regulatory regimes are in place to encourage innovation and support investment in the most efficient solutions. NESO has procured solutions to key electricity transmission system needs including system stability and voltage management through "pathfinders" (now known as "network service procurement").⁶ This has led to market participants

³ <https://www.ofgem.gov.uk/our-role-and-responsibilities#:~:text=We%20work%20to%20protect%20energy,the%20lowest%20cost%20to%20consume>

⁴ Prior to 1 October 2024, National Grid Electricity System Operator (NGESO) was the electricity system operator in Great Britain. NGESO transitioned to NESO on 1 October 2024 and is the independent system operator and planner in Great Britain.

⁵ <https://www.neso.energy/document/346651/download>

⁶ <https://www.neso.energy/industry-information/balancing-services/network-services>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

seeking to develop new assets dedicated⁷ to providing these network services,⁸ such as synchronous condensers⁹ and shunt reactors. NESO's network service procurement processes highlighted several issues with the existing regulatory framework that we believe need to be considered further.

Identified Issues

- 1.4 It has been noted during the network service procurement tenders that unlicensed providers face different costs to licensed providers as the former may need to pay additional charges and/or levies on the electricity they consume.
- 1.5 An example of this is the Final Consumption Levy ("FCL")¹⁰. We do not consider that FCLs were intended to be paid by providers that are dedicated to providing network services. This is because historically (ie when this policy was designed) these assets were owned by TOs or the services were provided by generators and would thus be exempt from FCL payments. The payment of FCLs by commercial providers could materially affect the outcome of network service procurement and any future competition for network services.
- 1.6 We note that there are potential licensing issues present with assets that are dedicated to providing network services. We have seen a number of parties with success in network service procurement applying for licences for the operation of their assets. The legislation on licensing was introduced by the Electricity Act 1989 ("the Act"),¹¹ when stability and voltage services were typically provided by large generating sites or transmission network assets. There was therefore no need to specifically consider how assets dedicated to providing network services should be classified. However, due to the emergence of new providers, we have reviewed if, and how, network service technologies should fit within the licensing regime, particularly as their classification has knock on impacts on the costs and charges that parties face.

⁷ Within this document we commonly use the term "dedicated provision of network services" or variations thereof. By this, we mean that a party operates an asset, that at a point in time, only provides network services to the system operator, and this is independent of any megawatt output or demand or other electricity transmission activity.

⁸ In previous publications we referred to this as "ancillary services", we now consider this too broad a term which could be misconstrued as including balancing energy services that NESO procure such as response or reserve. It is not our intention to include these services within the scope of this review.

⁹ Also known as synchronous compensators.

¹⁰ FCLs are applied on the consumption of electricity to recover the costs of government schemes such as the Renewables Obligation, Feed-in Tariffs, Contracts for Difference and the Capacity Market. Under the existing framework, unlicensed network service providers must pay FCLs for their electricity as the electricity they consume is considered as 'supply'.

¹¹ The Electricity Act currently defines licence categories for electricity generation, transmission, distribution, supply, operation of an interconnector and provision of a smart meter communication service. Electricity Act 1989, Section 4: <https://www.legislation.gov.uk/ukpga/1989/29/section/4>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- 1.7 This review has looked at whether dedicated provision of network services should be licenced and if so what types of licences should be considered, ie by introducing a bespoke licence or by amending existing licences.
- 1.8 The review has also looked at the charging arrangements for providers who own assets that are dedicated to providing network services and current ongoing work between DESNZ and Ofgem that is looking at these frameworks.
- 1.9 Lastly this review has also considered the roles and responsibilities of dedicated providers of network services, NESO and TOs. One of our priorities is to ensure that the National Electricity Transmission System (NETS) is operated safely and securely, and it is essential that the roles and responsibilities for asset and financial resilience are clear for all parties.

Relevant Publications

- 1.10 This section presents a list of the previous publications which are relevant to this review:
- [October 2021](#) – we published an Open Letter setting out our interim position on granting generation licences to synchronous condensers and our intention to carry out a review of regulatory arrangements for dedicated provision of network services.
 - [February 2022](#) – we decided to grant Mersey Reactive Power Limited, which operated a shunt reactor, a transmission licence. However, we stated that this would not be seen as a precedent and any similar applications would be reviewed on a case-by-case basis.
 - [April 2022](#) – we published a Call for Evidence to inform our review into the arrangements for dedicated provision of network services. We received 13 responses to our questions on Scope of review, Level playing field issues, Licencing arrangements and Roles and responsibilities.
- 1.11 We have also published a consultation and a decision which looked to amend the generation licence to become more appropriate for assets that are dedicated to providing network services, due to our interim position we set out in October 2021:
- [February 2024](#) – we published a consultation to amend the generation licence to make it more suitable for assets dedicated to providing network services.
 - [April 2024](#) – we published a statutory consultation on the licence change consulted on above.

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- [September 2024](#) – we decided not to go ahead with this change as we concluded that this kind of change to the generation licence must be facilitated by changes to primary legislation.

NESO's Procurement Strategy for Network Services

Stability

1.12 NESO has conducted three network service procurement activities for stability services:¹²

- Phase one – increasing inertia across Great Britain ("GB") which concluded in January 2020.
- Phase two – increasing short circuit level in Scotland which concluded in April 2022.
- Phase three – increasing inertia and short circuit level in England and Wales which concluded in November 2022.

1.13 During these procurement activities, several parties developed proposals for synchronous condensers as these assets contribute to system inertia and help improve fault levels to support the stability of the system. After being awarded a contract, developers applied for generation licences on the basis that they considered their solutions a form of electricity storage. We assessed these applications and granted licences. Note that it remains the responsibility of market participants to determine whether their activities require a licence under the Act and seek licences where this is a requirement, as well as to comply with all relevant industry rules and regulations.

1.14 In October 2021, we set out a temporary position to continue to consider operation of synchronous condensers as eligible for the granting of generation licences. Currently, we understand that a number of parties have sought a generation licence for synchronous condenser operations in line with this interim position, following successful pathfinder bids.

1.15 NESO are also competitively procuring stability services via a Mid Term (Y-1) Stability Market, the first round of which closed in November 2024, and which they intend to start delivering inertia annually from October 2025. They also plan to accompany the Mid Term (Y-1) Market with continued Long Term (Y-4) procurement and a Short Term (D-1) Market.¹³

¹² <https://www.neso.energy/industry-information/balancing-services/network-services/stability-network-services>

¹³ NESO markets Roadmap - <https://www.neso.energy/document/304081/download>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

Voltage

1.16 NESO conducted three network service procurement activities for voltage services:¹⁴

- Mersey region procurement – to provide long term voltage support in the Mersey region and concluded in December 2020
- Pennines region procurement – to provide long term voltage support in the Pennines region and concluded in February 2022
- Voltage 2026 – to provide long term voltage support in London and the north of England and concluded in December 2024

1.17 The Mersey network service procurement results determined that a shunt reactor proposed by Peak Gen Limited would be among the most economical solutions and was therefore awarded a contract. In our decision on the regulatory framework for electricity storage,¹⁵ we expressly clarified that inductors, and therefore shunt reactors (which comprise of inductors to absorb reactive power), should not fall under the definition of storage. Therefore, operation of shunt reactors is not eligible for generation licences. However, shunt reactors are still exposed to certain charges and levies. As a result, Mersey Reactive Power Limited (MRPL), operating under Peak Gen Limited applied for, and was granted a transmission licence in February 2022 for the operation of the shunt reactor.

1.18 Under NESO's Future of Reactive Power Market project, NESO is considering the deployment of a short-, medium- and long-term market.¹⁶

Rationale for Intervention

1.19 We have seen several developers of assets dedicated to providing network services apply for, and be granted, generation and transmission licences. One of the reasons for this was to avoid paying charges and levies. When establishing these interim solutions we highlighted that these arrangements required further review. As competitive markets for both stability and voltage services become more established, we considered whether a more suitable enduring solution could exist for these types of assets.

¹⁴ <https://www.neso.energy/industry-information/balancing-services/network-services/voltage-network-services>

¹⁵ [Decision on clarifying the regulatory framework for electricity storage: changes to the electricity generation licence](#)

¹⁶ NESO markets Roadmap - <https://www.neso.energy/document/304081/download>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- 1.20 As part of this we considered whether the regulatory arrangements for dedicated provision of network services should be distinct from the arrangements used for traditional generation or transmission activity.
- 1.21 We recognise that ensuring clarity on the expected treatment of such activity is beneficial to market activity, including by providing investor certainty and ensuring that all parties understand the grounds on which they compete for competitive provision of the services.
- 1.22 Hence, we have reviewed the regulatory arrangements for assets dedicated to providing network services and are recommending changes so that these types of assets can compete fairly, and any future NESO markets can be as competitive as possible.

2. Summary of Call for Evidence Responses

Section summary

This section outlines our assessment of the responses we received to our April 2022 Call for Evidence. We asked eleven questions across four sections and received thirteen responses from a range of different parties. The feedback from the responses was generally positive with respect to the scope of our review and agreed that issues exist with respect to a level playing field between commercial and regulated providers and (lack of) clarity on roles and responsibilities. We have considered the feedback received to our Call for Evidence in this assessment of potential options.

- 2.1 In our April 2022 Call for Evidence, we asked eleven questions across four sections, covering the scope and objective of our review, level playing field issues, licensing arrangements, and roles and responsibilities. We received thirteen responses from a range of industry parties.
- 2.2 We are grateful for the input from industry and consider that the level of response indicates a fair amount of interest in the outcome of our review. We have incorporated the views of respondents into our review where appropriate. We consider that, in general, the responses indicate substantial support for identifying the appropriate regulatory treatment of dedicated provision of network services.
- 2.3 This section summarises the key points relevant to this assessment. We have published the full non-confidential responses on our website.

Scope and Objective of our Review

- 2.4 We highlighted that the objective of our review is to ensure that future arrangements for assets dedicated to providing network services support the transition to a net zero energy system at the lowest possible cost to consumers. We want to ensure that the regulatory treatment of assets promotes competition and innovation while ensuring security of supply. Responses to the Call for Evidence generally agreed with our position, and we have therefore retained this as our objective.
- 2.5 Several respondents did propose expansions to our scope, however we have considered that our approach of taking a technology neutral view of the

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

solutions captures the main issues raised, and that some other suggested expansions were niche items which will need to be considered in other settings.

Services and Technologies

- 2.6 We received views on a number of additional technology types which could provide network services in a dedicated manner, and as a result we have undertaken our review such that the recommendations can be applied to any technology type.
- 2.7 Although our review focused on the network services already procured by NESO via their network service procurement, respondents highlighted other services that could be provided by dedicated network service technologies. Following this publication, we will undertake further work to consider which other services could be classed as a network service.

Level Playing Field Issues in Network Service Procurement

- 2.8 We understand from respondents that there are a number of barriers to achieving a full level playing field between commercial parties and incumbent TOs when it comes to assets dedicated to provision of network services.
- 2.9 We determined that these fall into three broad “themes”: exposure to charges and levies; degree of regulatory clarity; and market design.
- 2.10 We considered the exposure to charges and levies as part of our review. While we considered that there are ongoing workstreams where this can be more holistically reviewed, we also used an assessment framework in this review which considered how licensing arrangements can best help to address any inequity. We asked a specific question seeking views on exposure to charges and levies, and responses generally suggested that this type of activity should not attract such costs, but some responses suggested caution in applying this as a blanket rule. We accounted for this within our assessment.
- 2.11 Our review considered how to provide the most appropriate licensing solution, and our recommendation and next steps should support in providing the up-front clarity that respondents mentioned as a barrier to entry.
- 2.12 In general, we have determined that solutions to market issues lie best with NESO, as the market designer and operator. We understand that industry has routes for representation to NESO around the market design for procurement of these services, and we expect NESO to be reactive to industry feedback to ensure that procurement is as efficient as possible.

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- 2.13 We asked a specific question in our Call for Evidence about funding mechanisms. We received a range of views on this point. At present, we believe the current combined approach of TO regulatory funding and NESO's competitive network service procurement (which may determine that TO build is the most cost-effective) is appropriate. We have seen evidence of consumer benefit from NESO's network service procurement and expect this to continue as NESO move to more regular market-based procurement of network services. NESO must provide clarity to industry on how requirements for these markets are set and transparency on their short-, medium- and long-term plans for network service management, including via the CSNP once established.

Licensing Arrangements and Roles and Responsibilities

- 2.14 The majority of responses indicate support for dedicated provision of network services being a licensable activity. The most commonly supported view was that a bespoke licence category would be the ideal solution but caveated with concerns about administrative burden and challenges of implementation.
- 2.15 There was clear support for ensuring consistent regulatory treatment across providers of similar services.
- 2.16 Respondents did not support exempting commercial providers from regulatory oversight. Leaving roles, responsibilities and rules to the contracting arrangements between NESO and successful bidders was seen as potentially less transparent and consistent.
- 2.17 Particularly, this was supported by the common view that more clarity on the boundary of responsibility between NESO, TOs and commercial providers would be beneficial. Some respondents considered that this is especially important as the electricity system is evolving quickly and there is scope for further diversion and thus uncertainty in responsibilities. We have therefore included the impact of clarity around roles and responsibilities in our assessment criteria.

3. Policy Options

Section summary:

This section sets out the policy options we considered in our review. When conducting our review, we considered two key questions:

- 1) Do we need to amend how charges and levies are applied to providers who own assets that are dedicated to providing network services?
- 2) What is the appropriate licencing regime for dedicated provision of network services?

Charging and Levy Options

- 3.1 As noted in Section 1, unlicensed providers of network services faced different charges and levies to licensed providers of network services. The key example stakeholders raised concern over was the application of FCLs on unlicensed providers.
- 3.2 FCLs are applied on the consumption of electricity to recover the costs of government schemes such as the Renewables Obligation, Feed-in Tariffs, Contracts for Difference and the Capacity Market. Currently, generation and transmission licence holders are not liable to pay FCLs for the electricity supplied to their premises for the purpose of carrying on activities which they are authorised by their licence to carry out. However, unlicensed providers of stability and voltage tend not to be exempt from these charges. As a result, several providers applied for licences to be exempt from FCLs, even in cases where such licences would not otherwise be sought.
- 3.3 We do not believe that FCLs are intended to be applied to the providers who own these types of assets as electricity consumed by the asset is being used to aid the electricity system by providing critical services such as inertia or reactive power rather than as final consumption.
- 3.4 DESNZ have acknowledged the hurdles FCLs pose to ensuring the maximum utility of small scale batteries (where a battery may import electricity which is later re-supplied to the grid rather than locally consumed but face charges on the import for which it is not compensated).¹⁷ DESNZ have set out that they will undertake a joint review with Ofgem on the options available to remove FCLs for

¹⁷ Page 97 - <https://assets.publishing.service.gov.uk/media/677bc80399c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

home batteries and vehicle-to-grid Electric Vehicle batteries and will identify next steps in a 2025 Clean Power Flexibility Roadmap.

- 3.5 Ofgem and DESNZ are reviewing how costs and charges are allocated across the electricity system, therefore commercial assets that provide network services may also be considered in this review.
- 3.6 We considered that the charges and levies faced by parties dedicated to providing network services can be appropriately addressed through these existing workstreams and we therefore have not proposed any further specific actions as a result of this review and thus elected to focus on the appropriateness of licensing.
- 3.7 However, we did consider the interaction of the charges and levies with possible licensing options. That is, when we assessed each licensing option (set out in the next part of this section), we considered both the situation without any changes to charges and levy policy and the context of potential substantial changes to charges and levy policy. Through this approach, we believe that our assessment of licensing remains robust to future change and should complement any further changes to charges and levies.
- 3.8 For clarity, we consider that changes in respect of licensing, and charges and levies are sufficiently exclusive such that changes to one or the other can benefit the consumer and that changes to both do not conflict.

Licensing Options

- 3.9 Following our conclusions around charges and levies, our review has focused on the licensing question, and we have used the responses to our Call for Evidence and an internal assessment to identify and assess four potential options:
- Option 1 – Continue with the current “interim” solution
 - Option 2 – Amend the current generation and / or transmission licence(s) to better align them with dedicated provision of network services
 - Option 3 – Create a new bespoke licensable activity
 - Option 4 – Have no licence for this activity
- 3.10 We have set out below what these options could look like in practice and how they compare to the current “interim” solution (Option 1). For Option 1, we set out the negative aspects associated with it, which we consider could be a reason for change.

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

Option 1 – Continue with current “interim” solution

- 3.11 This option can be categorised as an approach to maintain the existing “interim” solution, confirming it as an intended enduring approach. In October 2021, we presented our view that the operation of synchronous condensers can be considered a generation activity (by virtue of being a type of electricity storage) and thus be granted a generation licence through our powers under the Act.
- 3.12 In February 2022, we issued a transmission licence to Mersey Reactive Power Ltd. (MRPL) specifically for the operation of a Shunt Reactor. However, we emphasised that this decision should not set a precedent, with future applications considered on a case-by-case basis.
- 3.13 While we consider that this interim position has allowed for the fledgling commercial provision of network services to grow, we believe this interim approach is sub-optimal in the long-term as it:
- Lacks appropriate obligations as the existing licences were not drafted to consider standalone network service assets.
 - Has only considered asset classes which have come forward to date. Due to this, there is an uncertainty in future applicability: a new technology type may come forward which does not fit into the existing generation or transmission licence category, which could restrict / slow down innovation.
 - Moreover, while TOs and NESO must comply with the NETS SQSS¹⁸ and STC¹⁹, it may not be possible to extend similar obligations to unlicensed commercial assets. Therefore, there is a lack of clarity on the responsibilities these assets hold, especially if something were to go wrong on the system.
- 3.14 Due to our concerns about the interim position being unsuited as an enduring position, we tested alternatives to see if there was a viable alternative regulatory approach (options 2-4).

Option 2 – Amend the current Generation and/or Transmission Licence

- 3.15 This option would amend the current generation and / or transmission licence to make them more appropriate for the dedicated provision of network services. The existing licensing framework was established when electricity activities, ie, generation, transmission and demand, were more distinct, and the provision of

¹⁸ The Security and Quality of Supply Standard (SQSS) sets out the criteria and methodology for planning and operating the NETS. The SQSS can be accessed at: <https://www.neso.energy/industry-information/codes/security-and-quality-supply-standard-sqss>

¹⁹ The System Operator Transmission Owner Code (STC) defines the relationship between the transmission system owners and the system operator. The STC can be accessed at: <https://www.neso.energy/industry-information/codes/system-operator-transmission-owner-code-stc>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

network services such as stability and voltage were often tied to large generating sites or transmission networks. As the system is increasingly decarbonised, the licencing framework does not adequately reflect current system needs in this area as distinctions are becoming increasingly blurred.

- 3.16 We believe that this option could entail an approach similar to that used for integrating storage into the generation licence.²⁰ This introduced a new section to the licence (Section E), which defined 'electricity storage' and 'electricity storage facility' to clarify the role of electricity storage in the energy system, as well as placing specific requirements relevant to storage assets in particular (such as setting requirements for the provision of certain information by storage assets).
- 3.17 We consider that this could be an improvement on the current situation (Option 1) by allowing providers to apply for generation or transmission licences, amended to ensure their activities are appropriately captured. This could enable more appropriate regulatory oversight and a better understanding of the roles and responsibilities of these providers and incumbent licenced entities. An amended existing licence could also allow these assets to be exempt from paying charges and levies (subject to any wider changes following review).
- 3.18 We also consider that this option could have a better impact on innovation compared to the current solution (Option 1), but this would rely on amendments to licences being generic enough to allow for future technological advances.
- 3.19 However, we have identified that it could be challenging to amend the current generation and / or transmission licence. This is further supported by our September 2024 decision which looked to create a new section of the generation licence for assets dedicated to network service provision. This identified barriers to implementing the intent of such changes under the existing legal framework. It is likely that changes to legislation would be required to achieve this option.

Option 3 – Create a new bespoke licence

- 3.20 This option suggests creating a bespoke licencing category for providers who are dedicated to providing network services. The aim of this option would be to create a specific licensable activity for any technology whose purpose is to provide a network service such as stability or voltage to NESO.

²⁰ <https://www.ofgem.gov.uk/publications/decision-clarifying-regulatory-framework-electricity-storage-changes-electricity-generation-licence>

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- 3.21 We believe that a specific licence could be an improvement on the current solution (Option 1). We consider that it could provide better regulatory oversight and clarify roles and responsibilities as licence obligations would only be those appropriate to the activity, such as adhering to the proper reporting requirements and relevant codes for improved system security. It could also provide Ofgem with relevant powers to hold providers directly accountable for their actions.
- 3.22 Further, a bespoke licence could be technology neutral and therefore could enhance innovation of emerging technologies that provide network services by providing clarity on regulatory arrangements.
- 3.23 However similar to Option 2, changes to legislation would be required to achieve this option.

Option 4 – Have no licence arrangements

- 3.24 This option looks at Ofgem restating the threshold, technical or otherwise, which must be met to qualify for and / or require a licence. This could lead to exclusion of, for example the dedicated provision of network services such as synchronous condensers or shunt reactors.
- 3.25 Although this approach would provide clarity on the regulatory treatment of assets dedicated to providing these services, we believe that this approach could be worse than the current solution (Option 1) in providing certainty over the roles and responsibilities for these types of assets.
- 3.26 We consider that the main issue with this option is the inability for the regulator to assign obligations to these providers. Without a licence there would be minimal accountability, and obligations of these assets would be determined via bilateral contracts with NESO. We also note that having no licence would mean there would be uncertainty from other industry parties on what roles and responsibilities these assets have. Finally, if there is no licence it would also be more difficult to provide clear exemptions from certain charges and levies, which may have a detrimental impact on future NESO market efficiency.
- 3.27 This option may have a more positive impact on innovation due to lower regulatory burden, however we note that if new technology types are exposed to charges and levies, this may deter them from coming forward and providing key services to NESO or make them less likely to be successful against otherwise more expensive counterfactual options. We also note that parties have so far seemed comfortable in taking on the perceived burden of a licence, despite the licences potentially having additional / non-applicable requirements.

4. Options Assessment

Section summary:

This section describes the assessment criteria which we have selected, sets out the assessment we have undertaken of the Policy Options set out in Section 3, and details how we have determined the best option to progress.

Assessment Methodology

- 4.1 We considered each of the four licencing options outlined in Section 3 using a consistent assessment approach. As set out in section 3A of the Act, Ofgem’s principal objective is to protect the interests of existing and future consumers in relation to the electricity conveyed by distribution systems or transmission systems. Therefore, in reviewing these options we have considered our statutory duties and our consumer interest framework.²¹ As a result we have made sure that any potential option supports:
- Fair prices
 - High quality of service
 - Low cost transition to net zero
 - Resilient electricity sector
- 4.2 Therefore, we undertook a qualitative assessment against five criteria which relate to our statutory duties and consumer interest framework and are key to finding the option which would provide the most benefit to consumers. These are:
- **Impact on level playing field in NESO markets:** we considered the extent to which each option would directly impact the comparability of tender bids in NESO markets. This was specifically focused on what charges and levies providers of assets dedicated for network services would need to consider when submitting their tender bids.
 - **Appropriate level of regulatory oversight:** we considered the extent to which each option would have the level of regulatory oversight appropriate for dedicated provision of network services without becoming overly burdensome or restrictive.

²¹ https://www.ofgem.gov.uk/sites/default/files/2024-03/20240328%20Ofgem%20Multiyear%20Strategy%20%28FINAL%20v2%29_0.pdf

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- **Impact on innovation:** we considered whether each option may have an impact on innovation of technologies and investability in assets which may provide network services in the future.
- **Clear roles and responsibilities:** we considered the extent to which each option would make the roles and responsibilities for assets dedicated to network services clearer.
- **Ease of implementation:** we considered the implementation requirements for each option, noting that we would prefer to ensure that licensing arrangements are in place as soon as feasible.

4.3 The table below provides a high-level summary of our options assessment using a red, amber, green (RAG) rating. In respect to each criterion, green suggests a very positive impact, green/amber is a positive impact, amber is neutral impact, red/amber is a negative impact, and red is a very negative impact. Our assessment is performed against a view of the advantages and disadvantages of each option against each of the above criteria.

Table 1 – Options Assessment

	Impact on level playing field in NESO markets	Appropriate level of regulatory oversight	Impact on innovation	Clear roles and responsibilities	Ease of implementation
Option 1 – Continue with current “interim” solution	Amber	Amber	Amber/Red	Amber	Green
Option 2 – Amend the current Gen and / or TO licence	Amber	Amber/Green	Amber	Amber/Green	Amber/Red
Option 3 – Create a new bespoke licence	Amber/Green	Green	Amber/Green	Green	Amber/Red
Option 4 – Have no licence arrangements	Red	Red	Amber/Green	Amber/Red	Amber

Assessment of Options

Option 1 – Continue with current “interim” solution

4.4 **Level playing field (AMBER)** - We assessed this option as having a neutral impact on level playing field. We recognised that under this option there would be no obligation to be licenced; being licensed would be a choice. Electing not to be licensed would leave parties subject to certain charges and levies which could disadvantage them in NESO markets. There would also be uncertainty for new

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

technologies as to where they fit in the existing licencing regime, as this is assessed on a case-by-case basis.

- 4.5 **Regulatory oversight** (AMBER) - We assessed this option as having a neutral impact on regulatory oversight. This is because synchronous condensers and shunt reactors would have some form of regulatory oversight if they continued to apply for existing licences. However as previously mentioned this would be the asset owners' choice and there would be no obligation on these assets to be licenced as they do not meet required thresholds. The "interim" solution has caused practical issues in the implementation of some Standard Licence Conditions in the generation licence as applied to these dedicated network service assets. Licence conditions were not drafted with synchronous condensers or other dedicated network service assets in mind.
- 4.6 **Innovation** (AMBER/RED) - We assessed this option as having a negative impact on innovation. This is because the "interim" solution was only put in place for current technology types that had been awarded contracts through NESO's network service procurement. Many technology types could provide network services in a dedicated manner, and it is possible that the current "interim" solution would not suit them. Therefore, this could cause further market distortions as commercial parties may be competing on a different basis. However, it remains a possibility that a new technology type could win a contract from NESO's network service procurement and apply for a licence, and Ofgem would consider the merits of any applications if this were the case.
- 4.7 **Roles and Responsibilities** (AMBER) - We believe this option would have a neutral impact on clarifying roles and responsibilities. The "interim" solution is clear on what licences synchronous condensers and shunt reactors can apply for and therefore there are clear conditions to which providers of these services must adhere. However, there are some areas of uncertainty, especially around the interaction licencing has with the bilateral contract between the provider and NESO. This is more unclear as there would be no obligation for these assets to be licenced, and it is therefore possible that assets critical to system security would have differing roles and responsibilities depending on their provider business model.
- 4.8 **Ease of implementation** (GREEN) - This would be the most straightforward approach of all the options due to there being no change to the status quo if taken forward. However, if new technologies become active in this market area,

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

then there would be an ongoing assessment required to establish eligibility, and in some instances, there may be no appropriate licence classification.

Option 2 – Amend the current Generation and/or Transmission Licence

- 4.9 **Level playing field** (AMBER) - Similar to Option 1, we assessed this option to have a neutral impact on level playing field. This is because it would amend the current existing licences and therefore the same advantages of allowing there to be a route for synchronous condensers and shunt reactors to potentially be exempt from charges and levies would exist. We noted that there would still be no obligation for these assets to obtain a generation or transmission licence and therefore some level playing field issues would remain, though we anticipated that if there was a more bespoke natural to the current licences, these may be more attractive to assets providing these services.
- 4.10 **Regulatory oversight** (AMBER/GREEN) - We assessed this option as having a positive impact on regulatory oversight. Amendments to the current licencing regime could be make them more suited to covering these types of assets. However, we noted concerns that there could be a gap in regulatory oversight between providers who chose to apply for a licence and those who do not. This option builds on existing licences that were not intended to capture these assets and therefore could be considered a “shoehorning” process.
- 4.11 **Innovation** (AMBER) - We assessed this option as having a neutral impact on innovation. This is because amending existing licences would make them more fit for purpose for dedicated network service provision. This could make it easier for new technologies to come forward due to clearer expectations on the regulatory arrangements. However, there could be a licencing gap if a new technology type comes along which doesn’t fit into an amended generation or transmission licence, meaning that the solution may improve against the current “interim” position, but only in part.
- 4.12 **Roles and Responsibilities** (AMBER/GREEN) - We believe this option would have a positive impact on roles and responsibilities. Any amendments made to the licence regime would set out in a clear manner what rules these assets must adhere to and where responsibilities lie. As with Option 1 however, there would remain uncertainty about how the amended licence will interact with any commercial contract providers of these assets hold with NESO and while amendments to the licence could make this clearer there could still be uncertainty on where responsibility lies for providers who choose not to seek a licence if not obligated.

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

- 4.13 **Ease of implementation** (AMBER/RED) - This option would be challenging to implement. We previously consulted on amending the generation licence to be more applicable for assets dedicated to network service provision. However, we were unable to progress this as the proposed modification would extend beyond Ofgem's legal powers under the Act. It is likely that we would require additional Primary Legislation to amend the generation licence to make this more appropriate for assets dedicated to network service provision. It would also be difficult to amend the transmission licence as there is a significant difference in business models of commercially owned assets compared with incumbent TOs.

Option 3 – Create a new bespoke licence

- 4.14 **Level playing field** (AMBER/GREEN) - We believe Option 3 would enhance the level playing field in NESO markets, mainly by providing certainty and clarity to industry. Establishment of a distinct licensing category could include transparency on the levies and charges which should (or should not) apply to providers of assets dedicated for network service provision. This approach would ensure that operation of these assets only incurs the appropriate charges, enabling fair competition in the market. However, there could be uncertainty in this area as the exemption would only be applicable if there is a requirement for these assets to be licensed. With less disparity in risk / uncertainty within provider bids (across all technology and provider types), efficiency of the procurement activity should improve from both NESO and participant perspectives.
- 4.15 **Regulatory oversight** (GREEN) - We assessed this option as having the most positive impact on regulatory oversight as it would allow there to be specific drafting of licence conditions for network service activity. This would allow Ofgem to implement the appropriate level of accountability and reporting.
- 4.16 **Innovation** (AMBER/GREEN) - We assessed this option as having a positive impact on innovation. A new bespoke licence would allow for a technology agnostic approach and would therefore allow new technologies greater clarity on regulatory arrangements. Introducing new licence arrangements could be seen as burdensome for parties and may prevent new technologies coming forward however, we considered that a new licensable activity can set the appropriate level of regulatory oversight and a proportionate level of licensee burden. Aligned with responses to our Call for Evidence, we think the clarity of a bespoke licence would be welcomed by providers of network services as it would allow providers of network services to best understand their role in the system. Equally, we understand that providers using novel technology would want to

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

know their exposure to certain charges and levies before committing to commercial activities, and this approach could help provide that.

- 4.17 **Roles and Responsibilities** (GREEN) - We believe this option would have a very positive impact on roles and responsibilities. Having a specific licence for these types of assets would result in more clarity for industry on responsibilities and accountabilities were something to go wrong on the system. This would alleviate the need for this to be determined in bilateral contracts (which offer lesser transparency) between providers and NESO. It would also allow Ofgem to set out key roles that owners of these assets must adhere to, such as complying with industry codes and having regular reporting arrangements.
- 4.18 **Ease of implementation** (AMBER/RED) - Creating a new licensable activity would be difficult for two reasons. Firstly, this would require changes to primary legislation and therefore would need to be placed on a parliamentary bill. Secondly, this could take a long time, and that timing is uncertain as to when this could be placed on a bill.

Option 4 – Have no licence arrangements

- 4.19 **Level playing field** (RED) - We believe this would have a very negative impact on level playing field. This is because there would be no route for providers of assets dedicated to network service provision being exempt from charges and levies. This would put them at a disadvantage to licenced parties which are exempt from these charges yet deliver the same service to NESO.
- 4.20 **Regulatory oversight** (RED) - These assets are critical to ensuring a secure system as we move to a more asynchronous generation mix. We considered that it would be inappropriate to move away from the current “interim” solution (Option 1) as this would result in there being no regulatory oversight over assets that are vital for system security. We considered that responses to our Call for Evidence generally supported this position.
- 4.21 **Innovation** (AMBER/GREEN) - We believe having no licence requirements on these providers would have a positive impact on enabling new technologies to come forward to provide network services. This is because limited-to-no regulatory burden could enable parties to try new ideas more freely. However, we do believe that concerns around lack of a level playing field could stifle innovation in delivery of network services.
- 4.22 **Roles and Responsibilities** (AMBER/RED) - Having no licence requirements for assets performing this activity would have a negative impact on roles and responsibilities. The majority of requirements on these providers would only be

Consultation – Review of regulatory arrangements for Dedicated Provision of Network Services

set in a bilateral contract between them and NESO. Under this approach, It would be less clear as to which parties hold responsibility for assuring system quality, especially in cases where the fault was from an unlicensed asset. It would also be untransparent (and potentially variable) as to whether these assets would be bound by certain industry codes.

- 4.23 **Ease of implementation** (AMBER) - We believe this option would have a neutral impact. We set out in our October 2021 open letter that it is possible we may decide to revoke licences if by the undertaking of this review we found that licencing these assets was inappropriate. We would expect there to be some form of transitional period which could be challenging in revoking existing licences were this required.

5. Recommendation

Section summary:

This section sets out our recommendation based on the above assessment. It describes in more detail why we think a new licensable activity is required for dedicated provision of network services.

Recommended Option

- 5.1 Our preferred option is Option 3: to introduce a new licensable activity into the licensing framework for parties solely involved in the operation and provision of commercial network services.
- 5.2 We consider that it would benefit consumers by ensuring that dedicated providers of network services are accountable for their actions given how vital they are in ensuring system security. Below we have set out the key reasons why we feel that creating a new licensable activity is proportionate, building on the assessment conducted in Section 4 of this document.
- 5.3 We consider that proposing this option agrees with the majority of stakeholder views received through our February 2022 Call for Evidence.

Detailed Assessment

- 5.4 NESO's Clean Power 2030 report²² highlighted the need to increase the number of technologies that provide network services and emphasised their importance for the operation of a clean power system. This shows that there is a clear expectation that assets dedicated to provision of network services will have growing importance on the security of the system. We therefore believe that it is prudent for Ofgem to have improved regulatory oversight of this activity.
- 5.5 As mentioned in Section **Error! Reference source not found.** of this document, due to the need to access network services from alternative providers, NESO are developing new stability and voltage markets. We expect these markets to procure these services in a more frequent and competitive manner. As mentioned by a couple of respondents to our Call for Evidence, network service provision may be prone to market power. We therefore believe that a specific licence for providers who will be solely participating in these markets would be beneficial as it would provide Ofgem a direct route to set legal obligations that align behaviours to consumers' interests where necessary.

²² Page 43 - <https://www.neso.energy/document/346651/download>

- 5.6 We agree with the respondents to our Call for Evidence that a new specific licence condition would be more transparent for providers engaged in the dedicated provision of network services and for other industry participants. We believe that through the creation of a new licensable activity, conditions would clearly set out the industry codes that are applicable for these providers and therefore would clearly identify where the responsibilities for these providers lie.
- 5.7 We disagree with the view from a respondent to our Call for Evidence that a new licence activity would be administratively burdensome. We believe this approach would be proportionate as a new licensable activity would also allow for appropriate regulatory oversight for dedicated provision of network services. Having a bespoke licensable activity would allow Ofgem to tailor a licence to this specific activity, which is distinct from generation or transmission activity. This is currently not the case as the “interim” position allows (some of) these assets to fit into existing licences that were not drafted with these assets in mind. The extant “interim” solution also has no obligation for parties to be licenced for delivery of network services through these assets as it is providers’ own choice to apply for a generation or a transmission licence.
- 5.8 There are challenges in amending the generation licence in order to make this more appropriate for these providers (see our September 2024 decision), and we expect changes to the transmission licence would be equally difficult. Therefore, we consider that there would be substantial effort involved in making existing licences applicable to dedicated provision of network services. We expect that legislative change would be needed to deliver this, and consider that establishing a bespoke, distinct licensable activity would provide greater clarity. We consider that a bespoke licence can more easily achieve the appropriate level of regulatory oversight for this activity and thus provide accountability and ensure system security, fair market activity and clear roles and responsibilities.
- 5.9 We are also aware that making dedicated network service provision a specific licensable activity would be beneficial for innovation as it would allow for a technology agnostic solution. The prohibition would be drafted on the basis of dedicated provision of network services to the electricity system, and therefore if a new technology that provides dedicated network services is created, the new licence category would still be applicable. This is not the case in the current “interim” solution where some providers are eligible for a generation licence, while others are eligible for a transmission licence thus leaving uncertainty for

new technologies as to where they would fit into the current licencing regime, if at all.

- 5.10 Lastly, there is an added benefit that creating a new licence activity could exempt parties from charges and levies which are assessed as not intended to apply to this type of activity. We understand this to be a key reason why providers of these assets are applying for generation or transmission licences as being a licensed entity exempts them from paying charges and levies. This also aligns with the majority of responses to our Call for Evidence, where respondents stated they believe the providers of these assets should not be exposed to the charges and levies which apply to consumption of electricity in general (eg final demand) is exposed. This is only an added benefit as we believe that the way in which charges and levies are applied to certain technologies needs to be looked at further and the licencing regime should not be seen as a solution to a charging issue; however, given parties have sought licences, it is prudent to ensure that the regulatory framework is appropriate for all parties.
- 5.11 We note that a new licence category will require investment of time and resource from government, the regulator, and industry. We expect that this would be a greater effort than some (but not all) of the other options we considered. However, we consider this investment as worthwhile should it result in clear identification of the activity and its intended breadth, with associated clearly defined roles and responsibilities. In doing so, industry can come forward to support the system by providing network services with confidence in the regime in which they operate. This should provide an environment where GB can meet clean power targets, at lowest possible cost, while ensuring a secure system. We also believe that now is the best time to create a new licence activity given that in the future there may be a greater prevalence of these assets.

6. Next Steps

- 6.1 We have been engaging with DESNZ on our proposed recommendation to create a new licensable activity and the most efficient way to realise this. Subject to responses to this consultation we will be continuing this engagement and working with DESNZ in order to develop this new licence activity and will identify the key regulatory hurdles to be overcome in order to establish this licensable activity.
- 6.2 As such, we are keen to gain industry views on this recommendation, and we would like parties to respond to the following question:

Question

Do you agree with our recommendation to create a new bespoke licence activity for dedicated provision of network services? Please provide supporting reasons for your answer.

- 6.3 Subject to review of the responses we receive, we will look to conduct a further impact assessment to assess the impacts that a new licensable activity might have on various industry participants and consumers. We expect this impact assessment to look at areas such as the impact this will have on different business models and on NESO's markets, and further development of the implementation and design of a bespoke licence for dedicated network service provision.
- 6.4 For clarity, at this point, we are recommending to establish a new licensable activity for the dedicated provision of network services. Until such time, our extant interim approach will be maintained. Parties should continue to assess the activity they are undertaking and hold the relevant licence (if any) in line with the relevant legislative requirements and remain responsible for doing so.

Appendix 1 - Your response, data and confidentiality

Consultation stages

A1.1 We are issuing a consultation to seek views on our recommendation.

A1.2 The consultation will be open until 09 May 2025. Responses will be reviewed and fed into future work and will help inform any further impact assessment.

How to respond

A1.3 We want to hear from anyone interested in this consultation. Please send your response to NESORegulation@ofgem.gov.uk.

A1.4 We've asked for your feedback on the question. Please respond to this as fully as you can.

A1.5 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

A1.6 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

A1.7 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

A1.8 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

A1.9 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

A1.10 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

A1.11 Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

[ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

Notify me +

Would you like to be kept up to date with *Consultation*
name will appear here? subscribe to notifications:

Email*

Submit >

Consultation - Review of regulatory arrangements for Dedicated Provision of Network Services

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

Appendix 2 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest, ie a consultation.

4. With whom we will be sharing your personal data

We will not share your personal data with any third parties.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for one year following the close of consultation.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".