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NESO response to Ofgem's statutory consultation to modify the special licence conditions in the electricity transmission licences: Advanced Procurement Mechanism

Dear Margaret,

Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

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Our key points

- Following our response to the initial Advanced Procurement Mechanism consultation, we reiterate our support for the general principles and outcomes that Ofgem aims to achieve with this mechanism. We are in favour of inserting the new special condition into the licences of Transmission Operators (TOs) to facilitate the implementation of the APM.
- We understand that calculating constraint costs pose a challenge to licensees, as they must demonstrate these costs where possible. These calculations are often project-specific and asset-specific, which we cannot provide on a bespoke basis. We encourage licensees to refer to our existing NESO calculation when determining their constraint costs. Therefore, we request that paragraph 2.11 of the governance document be amended to explicitly reflect this, i.e., "reference *existing* NESO calculations".

Should you require further information on any of the points raised in our response please contact Adeola Onabanjo, Regulatory Policy Analyst, at Adeola.Onabanjo@nationalenergyso.com.

Yours sincerely

Carole Hook

Regulation & RIIO Senior Manager