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Statutory Consultation on National Energy System Operator (NESO) Licences and Other Impacted Licences

Statutory consultation on the temporary facilitative licence condition to support the implementation of the Independent System Operator and Planner

Dear Future System Operator Team and Electricity Systems Team,

National Gas Transmission (NGT) welcomes the creation of the NESO into the energy sector and has been working proactively with DESNZ, Ofgem and ESO in order to ensure that NESO is a success from Day 1.

In particular we have been active in the Joint Implementation Committee, the governance structure created by DESNZ to ensure the ESO is ready for NESO operation on Day 1. We have been instrumental in developing the network analysis and planning capability via a tailored training programme and have helped shape the Office of Resilience and Emergency Management (OREM) function together with building the knowledge of the team working in this area.

It is essential that the NESO is seen as an independent whole energy system body as early as possible and that its regulatory and financial framework is created to ensure this is delivered. The nature of the NESO in having direct and operational management of the electricity system, as well as a proactive process and advisory role across the whole energy system, needs to be reflected in the framework that is adopted to ensure that these functions are operated and controlled independently within NESO so that industry can have confidence that it is demonstrably delivering against its primary and secondary duties whilst remaining independent. A key part of this is creating obligations to demonstrate how feedback or input has been considered and used to inform and/or change proposals made by NESO. This will foster an organisation that listens,



reflects and, where necessary, change course because of that engagement, working collaboratively with relevant stakeholders.

NESO Licences and Other Impacted Licences

The licence drafting references the NESO having responsibilities across both electricity and gas. However, we would consider that they have responsibilities across the whole energy system and associated systems from Day 1, given the recent developments in the potentially significant role that hydrogen and Carbon Capture Utilisation & Storage (CCUS) will play in the energy transition.

We have no specific comments or observations on the proposed licence drafting or the proposed amendments to other existing licences, however we note that a number of the obligations placed on NESO also include the need to publish guidance and methodology statements that themselves will be consulted upon. We look forward to those consultations and will contribute fully to their proposals. We do believe that the broad principles of competence and independence set out above need to be incorporated into any framework or objectives that the NESO needs to comply with.

Two areas of general concern with the NESO role and the obligations it will take on are the treatment of confidentiality and the essential nature of proactive and effective stakeholder engagement. On confidentiality, the NESO will be party to a range of direct and indirect information that is potentially provided across the industry on a confidential basis, therefore the effectiveness of the obligation placed on the NESO and the way in which they handle this information is essential.

On stakeholder engagement, it is essential that NESO takes a proactive and engaging approach to this and really listens to stakeholders from all areas of the energy industry and society as a whole. The engagement must be effective and they should be obliged to carry this out when they propose any changes to established methodologies etc. For instance, in Gas System Planner Licence (C10.18) there is no mention of stakeholder engagement in the event that a change to the FEP methodology is considered appropriate on an annual basis. The effectiveness of the engagement with stakeholders should be a measure of success of the new organisation. A key part of this is creating obligations to demonstrate how feedback or input has been considered and used to inform and/or change proposals made by NESO.

Temporary facilitative licence condition

As stated above, we have been working proactively with DESNZ, Ofgem and ESO to ensure that NESO is a success from Day 1. We commit to continuing this collaborative approach with all involved parties up to and beyond the creation of the NESO, therefore support safeguarding cooperation and facilitation by codification in the licences.

We do not currently see any meaningful impacts to the implementation of the temporary licence condition, given its aim of maintaining the status quo, but would highlight the importance of robust processes around the creation of the ISOP Implementation Objectives and ISOP Change Programme, and ensure licensee views are given appropriate consideration during any consultation on such documents, given the obligations that will then be in force.

We are of the view the proposed text captures the policy intent set out within the consultation document.



We hope that this response is helpful in progressing the licence drafting, and the subsequent consultation on the Codes, and informs Ofgem's thinking on this important topic. If you have any questions or comments, please do not hesitate to contact Paul Sullivan, Head of System Capability and Risk (paul.j.sullivan@nationalgas.com) or Phil Lucas, Senior Codes Change Lead (phil.lucas@nationalgas.com).

Yours sincerely

A handwritten signature in black ink that reads "A.J. Nixon".

Tony Nixon

Regulation Director, Gas Transmission