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11 May 2024

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

Dear Sir or Madam,

We are pleased to submit our response to Ofgem's 'Statutory consultation on the temporary facilitative licence condition to support the implementation of the Independent System Operator and Planner'.

**Who we are**

As the Electricity System Operator (**ESO**) for Great Britain, we are at the heart of the energy system, balancing electricity supply and demand second by second.

Our mission, as the UK moves towards its 2050 net zero target, is to drive the transformation to a fully decarbonised electricity system by 2035, one which is reliable, affordable, and fair for all. We play a central role in driving Great Britain's path to net zero and use our unique perspective and independent position to facilitate network and market-based solutions to the challenges posed by the energy trilemma.

As National Energy System Operator (**NESO**) we will continue to build on the ESO's position at the heart of the energy industry, acting as an enabler for greater industry collaboration and alignment. We will unlock value for current and future consumers through more effective strategic planning, management, and coordination across the whole energy system.

**Our responses to consultation**

We agree with the statement in the consultation that there has been very positive involvement and cooperation by licensees and industry in planning and preparing for NESO's implementation. ESO has conducted broad engagement with stakeholders in recent months and the constructive engagement and collaboration by stakeholders has been (and continues to be) invaluable as we move towards implementation of the new organisation.

We welcome the position that the introduction of this licence condition does not represent a shift in the status quo, but understand the reasons for Ofgem introducing these requirements as a backstop, similar to approaches taken in previous large scale transformation projects.

We set out responses to the specific questions below.

**Q1 – Are there any foreseeable impacts from the implementation of the temporary licence condition which we should consider?**

- We understand that Ofgem intends to apply the temporary licence conditions to a broad range of licences. As a standard condition of the transmission licence, the licence conditions will apply to ESO. However, Ofgem introduced bespoke obligations in Special Condition 2.15 of ESO's licence in October 2023 which govern ESO's work to implement NESO, including taking all reasonable steps to deliver specified deliverables relating to implementation. These obligations came into effect in December 2023.
- Our understanding is that these bespoke obligations remain the focus for ESO and we do not see the temporary licence condition as being inconsistent with this. But we note that any direction provided to ESO or ISOP Change Programme under the temporary licence condition has the potential to interact with these existing licence obligations.

**Q2 – Does the text of the temporary licence condition capture the policy intent as set out in this consultation document?**

- It appears to us that the text of the temporary licence condition does capture the policy intent as set out in the consultation.

**Q3 – Do you have any other views or comments relating to the temporary licence condition?**

- We note that ESO is currently engaged in commercial and governance discussions with a range of stakeholders as part of its implementation activities.
- These activities align with the '*ISOP Implementation Objectives*' as set out in the temporary licence condition and with the bespoke obligations mentioned above. ESO considers that, as well as operational matters, these objectives necessarily include the objective that NESO will be '*independent from other commercial energy interests as well as from operational control of government*' as set out in the recently designated Strategy and Policy Statement<sup>1</sup>.
- We note that '*ISOP Change Programme*' is a broad term and it may be helpful for Ofgem to set out further examples of the potential content of such a programme.

Should you require further information on any of the points raised in our response please contact Gareth Davies, Head of Transformation, FSO Programme at [Gareth.Davies5@nationalgrideso.com](mailto:Gareth.Davies5@nationalgrideso.com).

Our response is not confidential.

Yours sincerely



Zoe Morrissey, Legal and Regulation Director

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<sup>1</sup> *Strategy and Policy Statement for Energy Policy in Great Britain* (May 2024), paragraph 34