

To:

National Energy System Operator Limited ("the Licensee")

Direction under Part F of Condition C15 (Future Energy Pathways) of the Electricity System Operator Licence and Part F of Condition C10 (Future Energy Pathways) of the Gas System Planner Licence that the Licensee is relieved of its obligations to (a) include how each pathway meets legally binding carbon reduction targets, and (b) develop and publish the Future Energy Pathways in accordance with the Future Energy Pathways Guidance, with respect to adhering to the bioenergy supply and capacity expansion modelling processes outlined in the Future Energy Pathways Methodology.

1. The Licensee is the holder of an Electricity System Operator Licence ("ESO Licence") treated as granted under Section 6(1)(da) of the Electricity Act 1989 and a Gas System Planner Licence ("GSP Licence") granted under Section 7AA of the Gas Act 1986.
2. The Gas and Electricity Markets Authority ("the Authority")¹ issues this direction, under Conditions C15.22 (Future Energy Pathways) of the ESO Licence and C10.22 (Future Energy Pathways) of the GSP Licence, to direct that the Licensee is relieved of its obligations to:
 - a. include how each pathway meets legally binding carbon reduction targets; and
 - b. develop and publish the Future Energy Pathways in accordance with the Future Energy Pathways Guidance, with respect to adhering to the bioenergy supply and capacity expansion modelling processes outlined in the Future Energy Pathways Methodology.
3. On 24 June 2025, the Licensee requested a direction ("derogation") by the Authority to relieve the Licensee of the obligations noted above in paragraph 2. The Licensee requested a direction to relieve its obligations in accordance with Conditions C15.13 (d) and C15.2 of the ESO Licence and C10.13 (d) and C10.2 of the GSP Licence.
4. The Authority has considered the request and determined that the rationale for not meeting legally binding carbon reduction targets in all pathways and adhering to the bioenergy supply and capacity expansion modelling processes outlined in the Future Energy Pathways Methodology is reasonable in the circumstances. We acknowledge that these would limit NESO's ability to explore different pathways routes to net zero or are not possible to achieve due to other limitations.
5. This direction is our notice of reasons for the purposes of section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
6. Now the Authority, pursuant to Conditions C15.22 of the ESO Licence and C10.22 of the GSP Licence, hereby directs that the Licensee is relieved of its obligations to:
 - a. include how each pathway meets legally binding carbon reduction targets

¹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority (GEMA) in its day to day work.

- b. Adhere to the bioenergy supply and capacity expansion modelling processes outlines in the Future Energy Pathways Methodology.

Paul Eastwood

Duly authorised on behalf of the Gas and Electricity Markets Authority

18 December 2024