

# Guidance

## (Draft) NESO Licence Expectations Document

Publication date:	11 December 2025
Contact:	NESO Framework Development
Team:	NESO Framework Development
Telephone:	<a href="tel:02079017000">020 7901 7000</a>
Email:	<a href="mailto:nesoregulation@ofgem.gov.uk">nesoregulation@ofgem.gov.uk</a>

National Energy System Operator (NESO)'s licences set the minimum requirements and standards that NESO must comply with. Condition C1 of these licences sets out general principles the licensee must follow and minimum outcomes the licensee must seek to achieve through the delivery of its activities.

The NESO Licence Expectations Document provides further guidance in relation to the requirements in Condition C1. This is to support understanding of the requirements in Condition C1 and align expectations on some key ways in which they should be interpreted. This supports the enforceability of NESO's obligations.

**This is a draft version of the NESO Licence Expectations Document for consultation. In March 2026, we plan to issue a final version of the document to take effect from 1 April 2026.**

## **Guidance** NESO Licence Expectations Document

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## Version History

Versions applicable to NESO:<sup>1</sup>

<b>Version</b>	<b>Summary of the document</b>	<b>Publication date</b>	<b>Release date</b>
1	Changes to reflect the introduction of NESO (published as the NESO Roles Guidance).	12 September 2024	12 September 2024
2	Changes to implement our decision on NESO's performance framework for the third business plan cycle (BP3) in the RIIO-2 price control.	1 April 2025	1 April 2025
3 (Draft)	New approach to align with our August 2025 decision on NESO's enduring regulatory framework and updated Condition C1 requirements.	11 December 2025 (for consultation)	1 April 2026 (subject to consultation)

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<sup>1</sup> For previous versions of the NESO Licence Expectations Document (previously known as the NESO Role Guidance) see: [NESO Roles Guidance 2023-2025 \(PDF, 689.07KB\)](#)

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# 1. Introduction

## Background

- 1.1 National Energy System Operator (NESO) is an independent, public corporation which has key responsibilities across the energy system. NESO has a leading role in driving a secure and cost-effective transition to a clean energy system, and its overarching duties and objectives are unpinned by legislation.<sup>2</sup>
- 1.2 We<sup>3</sup> regulate NESO, to ensure it is accountable for its performance delivering its duties and to ensure its actions align with the interests of consumers. NESO's licences set the minimum requirements NESO must meet when carrying out its roles. We monitor NESO's compliance with its licence requirements and, where necessary, may take action to enforce these requirements.
- 1.3 NESO has two licences: the Electricity System Operator Licence (ESO) Licence and the Gas System Planner (GSP) Licence. Condition C1 (General principles and minimum standards) of the ESO Licence and the GSP Licence sets out general principles the licensee must follow and general minimum outcomes the licensee must seek to achieve through the delivery of its activities. These general requirements are intended to support and align with the more specific, detailed requirements contained in other parts of NESO's licences.

## Purpose of this document

- 1.4 The NESO Licence Expectations Document (LED) provides further guidance in relation to some of the licence obligations within Condition C1. The purpose of this guidance is to help align expectations on some key ways in which Condition C1 should be interpreted. This includes non-exhaustive examples of the actions we would expect NESO to take (or not take) to fulfil these requirements.
- 1.5 As set out in Part G of Condition C1 of the ESO Licence and Part E of Condition C1 of the GSP Licence, NESO must have regard to the NESO LED and must be able to demonstrate such regard when complying with the provisions of Condition C1.
- 1.6 If NESO does not meet its licence obligations in Condition C1, it may be found non-compliant. The Authority will have regard to this document in its decisions on any investigations or enforcement action related to non-compliance with Condition C1.

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<sup>2</sup> See sections 163-165 of the Energy Act 2023 for more details: [Energy Act 2023](#)

<sup>3</sup> The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this Decision letter, 'we', 'Ofgem', and 'Authority' are often used interchangeably.

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- 1.7 This document is guidance issued pursuant to Part G of Condition C1 of the ESO Licence and Part E of Condition C1 of the GSP Licence. Any changes to this document will follow the process outlined in those Parts.
- 1.8 NESO's licences and the NESO LED are designed to complement NESO's statutory duties. NESO should carry out all of its activities in a manner that best supports these duties.<sup>4</sup>

**How to navigate this document**

- 1.9 This document mirrors the structure of Condition C1 of the ESO Licence with a Chapter for each Part of that condition.
- 1.10 The GSP Licence contains some but not all of the Parts and conditions in Condition C1. This is because some conditions are applicable to electricity activities only. This means the same requirement in each licence may have different condition numbers. Throughout this document, we have specified which condition numbers in the ESO Licence and GSP Licence readers should refer to.
- 1.11 Where this document uses capitalised terms, these have the same meaning as the equivalent definitions in Section A of NESO's ESO Licence and GSP Licence.

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<sup>4</sup> As set out in paragraph A2.20 of NESO's ESO licence and GSP licence, no provision in NESO's licence shall be construed as requiring, or take effect so to require, the licensee to act other than in accordance with its duties under the Energy Act 2023.

## 2. Operation of the electricity system

### Section summary

This section sets our guidance for the requirements in Part A of Condition C1 of the ESO Licence. This includes guidance on obligations related to secure, efficient, transparent and coordinated electricity system operation. It also contains guidance on the requirement for NESO to develop the capability for Net Zero compatible system operation, as well as requirements related to balancing market transparency and integrity.

### Secure system operation

#### Licence requirement

##### Condition C1.6 (ESO)

The licensee must ensure the systems, processes and technical requirements for operating the National Electricity Transmission System enable it to maintain a safe and secure electricity system.

#### Guidance

- 2.1 To maintain a safe and secure electricity system we expect the licensee to ensure it has in place the systems and processes it needs to comply, at all times, with all relevant licence conditions, industry codes and standards (such as the System Operator-Transmission Owner Code (STC), Grid Code (GC), and Security and the Quality of Supply Standard (SQSS)).
- 2.2 We expect this to be achieved through robustly tested, and regularly reviewed, systems and procedures for operating the system, under different scenarios. This includes NESO having the necessary systems and processes that enable it to quickly and effectively respond to unanticipated events that pose a risk to the operation of the National Electricity Transmission System (NETS). We also expect NESO to ensure that it invests in the systems and skills needed to meet security standards into the future.
- 2.3 In relation to technical requirements, we expect the licensee to seek to ensure operational standards, including the SQSS and relevant industry codes are fit for purpose, by regularly reviewing and updating these in response to whole energy system developments. Where changes are not in the direct control of NESO, we would expect NESO to use best endeavours to raise these with relevant parties at the earliest opportunity.

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**Efficient system operation**

## Licence requirement

Condition C1.7 (ESO)

The licensee must have effective systems and processes in place that enable it to accurately understand the National Electricity Transmission System's operational requirements and respond to these requirements in an economic and efficient manner.

## Guidance

- 2.4 We will consider economy and efficiency with respect to the prevailing, established legal arrangements for operating the electricity system and instructing Balancing Services. This obligation does not therefore preclude NESO from proposing changes to balancing market arrangements and balancing principles where it considers this can better promote its duties under legislation.
- 2.5 In order to operate the NETS in an economic and efficient manner under the prevailing balancing market arrangements, we expect NESO to have systems and processes in place which enable it to (without limitation):
- Reliably monitor and forecast short term system data, including demand, technical constraints, voltage and inertia;
  - Accurately instruct the volume of Balancing Services it needs to meet operational standards and requirements (without systematically and materially instructing more volume than is required to meet those standards and requirements); and
  - Instruct any type of Balancing Services provider that has the technical capability to address the system need (no matter their technology or size), and without instructing more expensive providers for no demonstrable reason.
- 2.6 We will also consider economy and efficiency with respect to all the relevant information NESO should have reasonably had available to it at the time of making operational decisions.
- 2.7 To ensure its systems and process are effective, we expect NESO to regularly review and update these processes and systems in response to energy system developments. This includes ensuring its underlying IT infrastructure is fit for purpose and is able to accommodate and instruct new types of Balancing Services providers that have the capability to address the electricity systems technical needs, no matter their size or technology.



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### Coordinated system operation

#### Licence requirement

##### Condition C1.8 (ESO)

The licensee must exchange necessary information with Transmission Owners and Licensed Distributors to promote coordinated and efficient operational decision-making across the Total Electricity System.

#### Guidance

- 2.8 Necessary information includes but is not limited to real-time operational data, information on operational strategies, network outages, and other information that can enable NESO and network operators to collectively understand the whole system impact of their respective operational decisions and thereby avoid actions which unnecessarily increase whole system operational costs.
- 2.9 Where existing rules or requirements may prevent the sharing of data that could be necessary for whole system efficiency, we expect NESO to consider proposing changes to these rules or to promptly raise the issue with the party able to change those rules.

### Net Zero system operation

#### Licence requirement

##### Condition C1.9 (ESO)

The licensee must use best endeavours to establish and maintain the systems, skills and processes it needs to operate and restore the National Electricity Transmission System effectively in a Zero Carbon Energy System.

#### Guidance

- 2.10 To achieve this requirement, we would expect NESO to ensure it is developing the capability to operate the NETS during periods where the electricity market delivers a zero-carbon energy mix, without needing to dispatch additional carbon emitting sources of generation to maintain system security. We would expect NESO to ensure that between now and 2030, it is able to operate and restore the system in line with the Clean Power 2023 Action Plan (CP2023)<sup>5</sup>, and that by 2035 NESO's capabilities do not present any barriers to an electricity system with net zero carbon emissions.

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<sup>5</sup> [Clean Power 2030 Action Plan - GOV.UK](#)

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- 2.11 Similarly, to restore the system effectively, we would expect NESO to take measures to ensure that system restoration can be provided under an energy mix required to meet CP2023 and 2035 net zero targets.

## Balancing market integrity and competition

### Licence requirement

#### Condition C1.10 (ESO)

The licensee must promote the overall transparency and integrity of Balancing Services markets and protect against the exploitation of market power through effective market monitoring, investigation, and the communication of issues to the Authority.

### Guidance

- 2.12 To achieve this requirement, we would expect NESO to have in place an effective monitoring regime to understand Balancing Services providers' compliance with relevant rules and information requirements set out in the Industry Codes, licence conditions and relevant legislation. We would expect NESO to investigate potential non-compliance where necessary and raise concerns to the Authority where appropriate. We would also expect NESO to monitor market participant behaviour under existing arrangements to help identify where rules may need to change to address issues related to the undue exploitation of market power.
- 2.13 For the purposes of Condition C1.10, relevant licence conditions are those that obligate compliance with Industry Codes, and currently include Standard Condition 20A (also known as the Transmission Constraint Licence Condition or "TCLC") and Standard Condition 20B (also known as the Inflexible Offers Licence Condition or "IOLC") of the Generation Licence. Relevant legislation includes the Competition Act 1998 and retained EU legislation on the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT).

### Licence requirement

#### Condition C1.11 (ESO)

The licensee must carry out its operational actions in a way best calculated to ensure it does not unduly distort competition or efficiency across the wholesale electricity market and Balancing Services markets.

### Guidance

- 2.14 For the purposes of Condition C1.11, operational actions include NESO's instruction of Balancing Services, its communications to market participants (public and bilateral), and the publication of data, information and notices that impact electricity market signals (including electricity wholesale prices and

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imbalance prices). To avoid undue distortion, we expect NESO to ensure these actions do not set false market expectations or provide any market participants with an unfair advantage.

- 2.15 When taking operational actions, we expect the licensee to consider the combined impact on both the wholesale electricity market and Balancing Services markets. If an action improves efficiency in one market but creates a negative effect in the other, the licensee should seek an approach that optimises overall outcomes in line with consumer interest. For example, NESO should ensure that actions taken to minimise balancing costs do not undermine wholesale market price signals, to the extent that the overall efficiency of the energy system is reduced.

## Transparent system operation

### Licence requirement

#### Condition C1.12 (ESO)

The licensee must provide transparency to electricity market participants on its overall approach to operating the National Electricity Transmission System and the framework and process it uses for deciding between different available actions.

### Guidance

- 2.16 To provide an appropriate level of transparency, NESO should provide clear and accessible information that enables participants to understand the rationale for licensee's choices, reduces uncertainty, and promotes confidence in the fairness and efficiency of its system operation. To achieve this, we expect NESO to publish details of the principles, criteria and processes it uses to decide between different operational actions (including through relevant publications such as the Balancing Principles Statement required under Condition C9 of the ESO licence). We also expect NESO to deliver transparency by taking reasonable and proportionate steps to clearly explain to stakeholders how its published decision-making framework has been met in practice through cases studies on actual operational actions or events (including actions or events stakeholders have requested further information on).
- 2.17 We do not expect NESO to share information that creates a risk of system security, breaches data sharing requirements, that is commercially sensitive, or which would undermine energy system efficiency (including any steps which involve a level of cost and resource which is clearly disproportionate to the value created).

### 3. Energy system efficiency and resilience

#### Section summary

This section sets our guidance for the requirements in Part B of Condition C1 of the ESO Licence and Part A of the GSP Licence. This includes guidance on obligations related to promoting whole energy system resilience. It also contains guidance on requirements on NESO to promote the overall efficiency of the energy system through effective energy system forecasting.

#### Energy system resilience

##### Licence requirement

##### Condition C1.13 (ESO) and Condition C1.6 (GSP)

The licensee must promote the enduring security and resilience of the energy system, including by taking a leading role in coordinating resilience activities across the energy system.

##### Guidance

- 3.1 To promote the enduring security and resilience of the energy system, we expect NESO to conduct regular analysis and horizon scanning to identify current and future risks, communicate any identified risks to government and the Authority at the earliest opportunity, and to develop robust mitigations to these risks (in line with the specific processes and requirements outlined in Condition C7 of the ESO licence, Condition C6 of the GSP licence and Condition C4 of the GSP licence). We expect NESO to consider a broad range of factors when considering risks, including relevant developments within Great Britain as well as developments on interconnected energy systems and international markets. Where mitigations to identified risks require action by NESO, we expect NESO to engage with impacted parties and seek to implement those mitigations in a timely manner. Where mitigations require the actions of other parties, we would expect NESO to provide clarity to those parties on the actions needed.
- 3.2 To take a leading role in coordinating resilience activities we expect NESO to develop effective working relationships and routes of communication on resilience issues with key stakeholders (including Ofgem, government and industry stakeholders). This includes working closely with stakeholders when preparing the regular reports and assessments required in Condition C7 the ESO licence and Condition C6 of the GSP licence, and taking a leading role in the energy sector's preparation for emergencies. NESO should also consider where and how it would be beneficial to provide transparency to wider stakeholders through the publication of its assessments and reports in Condition C7/C6, whilst having due regard to the need to protect confidential and sensitive information.

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- 3.3 We also expect NESO to monitor the effectiveness of the arrangements and processes established in Great Britain to promote system resilience, identifying where these arrangements can be improved or where roles and responsibilities can be clarified.

**Licence requirement**Condition C1.14 (ESO) and Condition C1.7 (GSP)

The licensee must maintain effective communication and relationships with the relevant transmission system operators for interconnected electricity and gas systems to understand developments that may impact the energy system in Great Britain.

**Guidance**

n/a

**Energy sector digitalisation****Licence requirement**Condition C1.15 (ESO) and Condition C1.8 (GSP)

The licensee must seek to facilitate the digitalisation required in the energy sector to enable a secure and efficient Zero Carbon Energy System.

**Guidance**

n/a

**Energy system forecasting****Licence requirement**Condition C1.16 (ESO) and Condition C1.9 (GSP)

The licensee must produce and publish accurate and unbiased energy system forecasts that create overall value for the energy system.

**Guidance**

- 3.4 To understand the types and timeframes of energy forecasts that create overall value for the energy sector, we expect NESO to regularly engage with stakeholders to understand their needs and to consider what forecasts would help improve the operational efficiency of the energy system. This could include, but is not limited to, forecasts of energy demand, electricity generation / gas supply, energy

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margins, and carbon usage or intensity. We would not expect NESO to publish forecasts that compromise the security or efficiency of the energy system.

- 3.5 To produce accurate forecasts, we expect the licensee to regularly review the methodologies that underpin these forecasts to ensure they use up to date tools and techniques and reflect key developments across the energy system.
- 3.6 Unbiased forecasts means that the licensee uses its best estimate of the outturn value without making adjustments to forecasts or forecasting techniques to build any unnecessary conservatism or optimism.

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## 4. Markets for electricity system services

**Section summary**

This section sets our guidance for the requirements in Part C of Condition C1 of the ESO Licence. This includes guidance on obligations related to NESO's development and procurement of Balancing Services, including requirements related to market-based procurement, transparency, accessibility, and non-discrimination between providers. It also contains guidance on requirements related to coordination across transmission and distribution services.

Please note that the Condition C1 requirements and guidance do not replace, override, or limit any relevant duty or obligation imposed on NESO under Assimilated Law.

### Market-based, competitive procurement

#### Licence requirement

Condition C1.17 (ESO)

The licensee must procure all Balancing Services through market-based mechanisms and seek to maximise competition in Balancing Services procurement.

#### Guidance

- 4.1 NESO should procure all Balancing Services through market-based mechanisms, unless NESO has received a formal derogation from the Authority under C9.6 of Condition C9 or another written formal agreement with the Authority that a non-market-based mechanism is necessary to protect energy consumers' interests (which we would generally expect would only be required under exceptional circumstances).
- 4.2 To seek to maximise the use of competition, we expect NESO to take measures to phase out any procurement of Balancing Services that is non-competitive, unless NESO can clearly demonstrate that this is either infeasible or not in the best interests of consumers.

### Non-discrimination

#### Licence requirement

Condition C1.18 (ESO)

The licensee must not unduly discriminate between any persons or classes of person in its procurement of Balancing Services, including by:

- (a) designing Balancing Services requirements so they do not unduly restrict new or existing service providers or technologies from competing; and

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(b) using best endeavours to resolve, as soon as reasonably practicable, any technical or capability issues the licensee has which could restrict its ability to procure Balancing Services in a non-discriminatory manner.

### Guidance

- 4.3 Through the design and procurement of Balancing Services, NESO may consider the technical needs of the electricity system and whether the technical capabilities of different providers or types of providers can address those needs. Undue discrimination could include Balancing Services designs or procurement decisions that include requirements or restrictions that do not serve a legitimate purpose (for example, designs or decisions based solely on individual preferences for certain technology types, sizes of provider, or past practices).
- 4.4 To avoid undue discrimination, we would expect NESO to have a robust system of controls to stress test the requirements for both existing and new Balancing Services. This would be the with the aim of ensuring the market designs and associated requirements serve a legitimate purpose and are necessary and reasonable to achieve the purpose (with no less restrictive way to achieve the purpose).
- 4.5 A legitimate purpose could include instances whereby NESO can demonstrably evidence that certain market designs or requirements are consistent with its statutory duties. This could include near-term arrangements which encourage the development of nascent market arrangements or market participants to create longer term consumer benefits, or arrangements where security of supply cannot otherwise feasibly be achieved.
- 4.6 Where NESO identifies any system or capability issue that may restrict its ability to procure Balancing Services from all types or sizes of providers (now and into the future), we would expect NESO to be open and transparent about the issue, seek to rectify this as a priority, and provide clarity to stakeholders and Ofgem on the plan and timescales for remedying the issue.

### Licence requirement

#### Condition C1.19 (ESO)

The licensee must demonstrate it is not unduly discriminating between any persons or classes of person in its procurement of Balancing Services by clearly and transparently explaining and justifying Balancing Services design.

### Guidance

- 4.7 To clearly and transparently explain and justify Balancing Service design, we expect NESO to set out its Balancing Services design considerations in a timely manner, and to engage industry in the design at relevant stages. Where any design



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choices appear to exclude or restrict certain providers or technologies, NESO should provide full justification of that position to industry as early as possible, and in any case ahead of any consultation period.

**Clear and accessible balancing services****Licence requirement**Condition C1.20 (ESO)

The licensee must ensure that Balancing Services are accessible and designed in a manner that maximises participation.

**Guidance**

- 4.8 For Balancing Services to be accessible, we would expect NESO to keep these services under review and seek feedback from current and potential providers of these services. This should be with the objective of identifying and removing unnecessary complexities or barriers to entry that could limit interest or engagement in NESO's Balancing Services. We also expect NESO to clearly communicate rules and requirements and engage with potential providers to explain the opportunities and processes for providing Balancing Services.

**Licence requirement**Condition C1.21 (ESO)

The licensee must provide transparency on its future procurement needs for Balancing Services to provide clear investment signals and foster competition.

**Guidance**

- 4.9 To provide transparency on procurement needs, we would expect NESO to publish the volumes of all Balancing Services it expects to procure, over a range of timeframes. This includes the publication of longer-term forecasts and explanations of its expected operational needs. We would expect these to be provided sufficiently far ahead of time to maximise the participation of existing and potential providers of Balancing Services who are able to address those system needs.

**Guidance NESO Licence Expectations Document****Coordinated electricity markets****Licence requirement**Condition C1.22 (ESO)

The licensee must work with electricity market participants, Licenced Distributors and the Market Facilitator to support the coordinated development of markets across the Total Electricity System and remove unnecessary restrictions to competing in both Balancing Services and distribution-level flexibility services.

**Guidance**

- 4.10 To support the coordinated development of markets, we expect NESO to identify and implement opportunities to improve how Balancing Services operate with and in relation to the flexibility services procured by Distribution Network Operators (DNOs). This should be with the aim of improving whole electricity system efficiency and preventing conflict and inconsistencies between services that create unnecessary complexity, or which unnecessarily prevent market participants from stacking revenues between different markets.

**Cross-border markets****Licence requirement**Condition C1.23 (ESO)

The licensee must maintain processes that support the effective trading of electricity with markets connected to Great Britain, including by removing barriers which could unnecessarily restrict flows over interconnectors.

**Guidance**

- 4.11 n/a

## 5. Wholesale market arrangements, codes and charging

### Section summary

This section sets our guidance for the requirements in Part D of Condition C1 of the ESO Licence and Part B of the GSP Licence. This includes guidance on obligations related to NESO's roles in wholesale markets, code administration and Electricity Market Reform.

### Wholesale market design

#### Licence requirement

##### Condition C1.24 (ESO) and Condition C1.10 (GSP)

The licensee must engage with industry stakeholders, the Authority, and government to promote the development of energy wholesale market arrangements that facilitate a secure and efficient Zero Carbon Energy System.

#### Guidance

- 5.1 Energy wholesale market frameworks include all rules and requirements which establish the energy wholesale markets in Great Britain, including requirements in legislation, licences and Industry Codes.
- 5.2 Our expectations for NESO in this area extend to actions which are within its control. This includes seeking to change to rules and requirements which NESO has the powers to change but also providing necessary advice or recommendations on required changes to other parties who have the legal responsibility to make those changes.
- 5.3 For example, we expect NESO to use its energy system expertise to help identify and propose changes to the Industry Codes which can improve the functioning of the electricity and gas wholesale markets with respect to the wider energy system. We also expect NESO to leverage its relationships with stakeholders, the Authority, and government to share recommendations on necessary changes to licences, legislation and wholesale market design so that markets can help achieve prevailing energy system policy objectives.
- 5.4 With respect to gas, we expect NESO to take a leading role in coordinating the strategy for the progression and development of gas wholesale markets (including through the delivery of clear and robust Future Market Plans, as required in Condition C7 of the GSP Licence).

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### Code administration

#### Licence requirement

##### Condition C1.25 (ESO)

The licensee must administer the Industry Codes it manages impartially and in a manner that facilitates broad stakeholder engagement and coordination across Industry Codes.

#### Guidance

- 5.5 To achieve this requirement, we expect NESO to keep its approach to code administration under review and gather feedback on reasonable and proportionate improvements that should be made to improve the experience for code users. This includes seeking to understand improvements that may be needed to better align with the principles under the Code Administration Code of Practice<sup>6</sup>.

### Electricity charging

#### Licence requirement

##### Condition C1.26 (ESO)

The licensee must develop, manage and maintain the Charging Methodologies in a transparent and effective manner, including by engaging with relevant parties to identify changes that would better deliver the applicable Connection and Use of System Charging objectives.

#### Guidance

- 5.6 n/a

#### Licence requirement

##### Condition C1.27 (ESO)

The licensee must use reasonable endeavours to provide clear and transparent communications and forecasts around future Use of System Charges, so that market participants can understand, and as far as feasible predict these charges.

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<sup>6</sup> [The CACoP - CACoP](#)

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5.7 n/a

**Electricity Market Reform****Licence requirement**Condition C1.28 (ESO)

The licensee must maintain transparent, impartial and effective processes in its delivery role for the government's Electricity Market Reform arrangements, including by providing accessible qualification processes and fair and timely guidance and advice.

**Guidance**

5.8 n/a

**Licence requirement**Condition C1.29 (ESO)

The licensee must seek to support the effective design and operation of the Capacity Market arrangements.

**Guidance**

- 5.9 To support the effective design of the Capacity Market arrangements, we would expect NESO to use its expertise and knowledge to make recommendations to government and Ofgem on future changes that would enable to Capacity Market to better meet prevailing energy system policy objectives.
- 5.10 To support the effective operation of the Capacity Market, we expect NESO to implement necessary changes to the Capacity Market rules in a competent and timely manner, with minimal delays or errors.

## 6. Energy system planning and connections

### Section summary

This section sets our guidance for the requirements in Part E of Condition C1 of the ESO Licence and Part C of the GSP Licence. This includes guidance on obligations related to energy system planning, electricity connections and medium-term outage planning.

### Transparent and coordinated system planning

#### Licence requirement

##### Condition C1.30 (ESO) and Condition C1.11 (GSP)

The licensee must effectively engage with industry stakeholders, the Authority, and government to ensure that frameworks and procedures for planning the development of the whole energy system are transparent, coordinated and support the timely, secure, and efficient transition to a Zero Carbon Energy System.

#### Guidance

- 6.1 To achieve coordinated frameworks and processes, we expect NESO to be able to demonstrate how the system planning processes it delivers (including the Future Energy Pathways (FEP), Strategic Spatial Energy Plan (SSEP), Centralised Strategic Network Plan (CSNP), Regional Energy System Planning (RESP), Gas Network Capability Needs Report and Gas Options Advice Document) fit together so that the system is planned on a whole system basis. We also expect to see evidence that governance arrangements across these planning processes are coherent and where necessary, coordinated or aligned.
- 6.2 To provide transparency, NESO should be able to explain (including through its public methodologies, plans, and through its general communications) how the different planning processes work together. This should include clear explanations of which information is being used from other network planning processes and at what stage of the process this information is being considered. Transparency also means NESO providing clarity about the results of the assessments. We also expect NESO to clearly communicate the timings of its processes so that stakeholders are aware of when and how they need to input.
- 6.3 To support the timely, secure, and efficient transition to a Zero Carbon Energy System, we expect NESO to keep all aspects of the energy system planning framework under review. NESO should make beneficial changes when this is within its control, and make timely, evidence-based proposals and recommendations to Ofgem or government on frameworks or process changes, where needed.

## Guidance NESO Licence Expectations Document

### Electricity system connections

#### Licence requirement

##### Condition C1.31 (ESO)

The licensee must use best endeavours, through effective engagement with relevant industry stakeholders, the Authority, and government, to ensure the process and procedures for connecting to the electricity system are efficient, and support a timely, secure and efficient transition to a Zero Carbon Energy System.

#### Guidance

- 6.4 Our expectations for NESO in this area extend to actions which are within its control (which includes NESO's ability to communicate with, influence and make recommendations to other parties).
- 6.5 We expect NESO to achieve this obligation by keeping all aspects of the electricity transmission connections process under review, making beneficial changes when it has the powers to do so, and making timely, evidence-based proposals and recommendations to Ofgem or government where needed. This ongoing review should consider future developments on the electricity system, including the volume, locations and types, of connections, and how that may impact the suitability of existing processes. NESO should also seek to ensure connections methodologies, such as those required under Conditions E15, E16 and E17 of the ESO Licence, are effectively coordinated and aligned the needs of the energy system as identified through the licensees wider strategic planning processes.
- 6.6 To promote an efficient overall electricity system connections process, we expect NESO to work closely with DNOs and TOs to ensure the timing of connections across the transmission and distribution systems are well coordinated and take account of total electricity system benefits, costs and impacts.

#### Licence requirement

##### Condition C1.32 (ESO)

The licensee must take all reasonable steps to ensure that the process for parties seeking to connect to the electricity system is fair, transparent and robust.

#### Guidance

- 6.7 To deliver a fair, transparent and robust process we expect NESO make evidence-based decisions on applications to connect to the electricity system which are in line with agreed legal frameworks (include relevant requirements in legislation, NESO's licences, approved licence methodologies, and Industry Codes).

## Guidance NESO Licence Expectations Document

6.8 Additionally, to achieve this requirement, we expect NESO to:

- provide clear and timely guidance on the opportunities, requirements and processes for connecting to the electricity system;
- maintain reliable and accessible stakeholder platforms for submitting and tracking connections applications;
- ensure that relevant connections data is easily accessible in line with the Data Best Practice Guidance;
- clearly communicate with connecting parties, including on the reasoning for decisions;
- deliver minimal process errors.

6.9 Our expectations in this area only apply to connections to the electricity system where NESO has required decision-making role.

## Medium term outage planning

### Licence requirement

#### Condition C1.33 (ESO)

The licensee must seek to optimise the timing of outages under the Outage Plan on the National Electricity Transmission System to drive whole energy system benefits.

### Guidance

- 6.10 Under this requirement, we expect NESO to seek to optimise the timing of outages in the initial Outage Plan agreed prior to Week 49 as well as subsequent Outage Changes. To optimise timings, we expect NESO to work with TOs, Offshore Transmission Owners (OFTOs), and relevant generators and DNOs to consider the whole system cost and security impact of scheduling outages at certain times, as well as the impact on the investment needed for a Zero Carbon Energy System.
- 6.11 NESO should also use the mechanisms available to it under the STC to bring forward commercial solutions that reduce overall system costs, ensuring the costs proposed by TOs and OFTOs through the STCP 11-4 procedures<sup>7</sup> are fair and reasonable.

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<sup>7</sup> [STC Code Documents | National Energy System Operator](#)



## 7. Cross-cutting requirements

### Section summary

This section sets our guidance for the requirements in Part F of Condition C1 of the ESO Licence and Part D of the GSP Licence. This includes guidance on obligations related to stakeholder engagement, impartial and transparent decision-making, providing accurate and accessible information, making evidence-based recommendations, and ensuring externally used processes are fit for purpose.

### Stakeholder engagement

#### Licence requirement

##### Condition C1.34 (ESO) and Condition C1.12 (GSP)

The licensee must ensure that through the delivery of its activities it carries out robust stakeholder engagement on issues, recommendations or decisions which are important for stakeholders or for the energy sector.

#### Guidance

7.1 To deliver robust stakeholder engagement, we expect NESO to deploy good common practices in its approach, including:

- Taking measures to understand, review and track which stakeholders are impacted by NESO's actions;
- Using open engagement methods that promote accessibility and inclusivity, and which take account of stakeholder needs;
- Engaging at a sufficiently early stage of a decision-making process so that views can be fully considered;
- Being clear and transparent about the opportunities for sharing views and how those views will be considered.

7.2 We expect NESO to have effective internal processes to track and monitor stakeholder priorities and concerns to understand the level of importance of issues. We also expect NESO to consider the overall costs, benefits and distributional impacts of recommendations and decisions when determining their level of importance and the appropriate engagement strategy.

**Guidance NESO Licence Expectations Document****Transparent decision-making****Licence requirement**Condition C1.35 (ESO) and Condition C1.13 (GSP)

The licensee must take all reasonable steps to clearly explain the reasons underpinning its decisions or recommendations, considering the impact those decisions or recommendations have on stakeholders and the energy sector.

**Guidance**

- 7.3 To achieve this requirement, we expect NESO to ensure the reasons and rationale for its recommendations and decisions are clearly stated and included in relevant public documents. This includes clearly explaining how any stakeholder feedback that was collected prior to the decision or recommendation has been considered and the reasons why NESO agrees or disagree with those stakeholder views. We would also expect NESO to respond promptly and clearly to any subsequent reasonable and proportionate requests from stakeholders for greater explanation of the decisions within public documents.
- 7.4 To consider impacts on stakeholders and the energy sector, we expect NESO to have effective internal processes to track and monitor stakeholder priorities and concerns to understand the level of impact of its decisions and recommendations. We also expect NESO to consider the overall costs, benefits and distributional impacts of recommendations and decisions when determining their importance and the appropriate level of detail in justification and rationale that should be provided. The level of transparency and explanation should be commensurate with the level of impact.
- 7.5 We do not expect NESO to share information that creates a risk of system security, breaches data sharing requirements, that is commercially sensitive, or which would undermine electricity system efficiency (including any steps which involve a level of cost and resource which is clearly disproportionate to the value created).

**Accurate information****Licence requirement**Condition C1.36 (ESO) and Condition C1.14 (GSP)

The licensee must put in place effective processes and governance for the purpose of ensuring that any information, data or analysis it publishes or provides to the Authority or government is accurate.

## Guidance NESO Licence Expectations Document

### Guidance

- 7.6 We will consider accuracy based on all information the licensee should have reasonably had available to it at the time, taking account of uncertainties. Examples of ineffective processes and governance could include repeated examples of information submissions or publications that contain material errors due to a lack of internal assurance.
- 7.7 In situations where NESO must make judgements or forecasts about uncertain factors, we would expect NESO to make those limitations or uncertainties clear.

## Evidence-based recommendations and decisions

### Licence requirement

#### Condition C1.37 (ESO) and Condition C1.15 (GSP)

The licensee must ensure any formal advice or recommendation provided to the Authority or government is clear, impartial and evidenced-based.

- 7.8 For the purposes of this condition, formal advice and recommendations include:
- Advice provided in response to requests made under section 171 of the Energy Act 2023;
  - Reports, plans or methodologies explicitly required under NESO's ESO and GSP licences which inform subsequent decisions made by Ofgem or government.
- 7.9 To achieve this requirement, we expect NESO to take measures to understand the supporting information and evidence that Ofgem or the government will reasonably need to carry out their subsequent decisions or policy measures. We expect NESO to clearly explain how it has reached its key conclusions and to share the underlying data, analysis and assumptions it has used when Ofgem or government reasonably require this to understand the advice or recommendation.
- 7.10 To ensure advice is impartial, NESO should also ensure it has effective internal review processes to avoid conclusions being driven by either conscious or unconscious bias from employees towards certain outcomes.

## Accessible information

### Licence requirement

#### Condition C1.38 (ESO) and Condition C1.16 (GSP)

The licensee must use reasonable endeavours to ensure that the any published information or data is clear and easily accessible to the users of that information.

## Guidance NESO Licence Expectations Document

### Guidance

- 7.11 To achieve this requirement, we would expect NESO to take steps to understand the primary users of published information and seek feedback from those users to understand their views and needs. We would also expect NESO to consider the needs of individuals with visual impairments and provide information in a machine-readable format. NESO should also align its data publication practices with the Data Best Practice Guidance, as required under Condition C3 of the ESO Licence and GSP Licence.

## Robust industry-facing processes

### Licence requirement

#### Condition C1.39 (ESO) and Condition C1.17 (GSP)

The licensee must use reasonable endeavours to ensure that any processes or platforms the license is responsible for which are used by external parties are robust and operationally ready prior to their introduction.

### Guidance

- 7.12 These processes or platforms include but are not limited to Balancing Services, platforms for processing connection-applications, and processes for issuing industry charges.
- 7.13 For processes or platforms to be robust and operationally ready, we expect NESO to carry out appropriate and proportionate testing and validation to appropriately minimise the risk unnecessary costs and disruption to market participants.