

**To: National Energy System Operator Limited**

**Electricity Act 1989  
Section 11A(1)(a)**

**Modification of the conditions of the Electricity System Operator Licence held by  
the above licensee**

1. National Energy System Operator Limited is the holder of an Electricity System Operator (ESO) Licence ('the Licence') granted or treated as granted under section 6(1ZA) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> gave notice on 2 May 2025 ('the Notice') that we propose to insert new condition C18 Onshore Transmission Tender Exercises and modify condition A1 Definitions. We stated that any representations to the modification proposal must be made on or before 3 June 2025.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 3 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in our Decision.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in tracked changes of the modification text that can be found on our website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to address minor issues and corrections raised in consultation responses.
6. We are making these licence changes following the introduction of the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025 (Tender Regulations), which enable the licensee, in its role as delivery body, to run a tender exercise in respect to certain onshore electricity transmission projects that qualify for early competition.
7. The effect of the modifications will be to establish specific obligations on the licensee in respect to its role as delivery body under the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025 (the Tender Regulations), facilitate appropriate information sharing between the licensee, Transmission Owners and bidders for the purposes of a tender exercise and establishing provision for Ofgem to review certain aspects in relation to the conduct of a tender exercise.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of

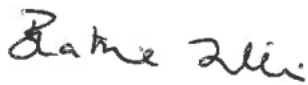
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<sup>1</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

the Energy Licence Modification Appeals: Competition and Markets Authority Rules<sup>2</sup> requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the conditions of the ESO Licence held by National Energy System Operator Limited in the manner specified in attached Schedule 1. This decision will take effect from 31 July 2026.

This document is notice of the reasons for the decision to modify the ESO Licence held by National Energy System Operator Limited as required by section 49A(2) of the Act.



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**Beatrice Filkin**

**Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**5 June 2026**

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<sup>2</sup> CMA70 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655601/energy-licence-modification-appeals-rules.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf)

## **Schedule 1 – Modifications to the Electricity System Operator Licence**

New text is double underlined.

### **Section C: Strategic and operational functions**

Condition C18. Onshore Transmission Tender Exercises

#### C18.1

The purpose of this condition is to set out the obligations with which the licensee must comply when conducting an Onshore Transmission Tender Exercise.

Part A: Licensee's obligations under this condition

#### C18.2

The licensee must comply with all provisions of the Tender Regulations.

#### C18.3

The licensee must conduct an Onshore Transmission Tender Exercise in an efficient and effective manner, in accordance with Part B.

#### C18.4

The licensee must submit any Tender Documentation for approval by the Authority, in accordance with Part C.

#### C18.5

The licensee must provide information for Bidders to prepare their bids, in accordance with Part D.

#### C18.6

The licensee must comply with the Onshore Competition Information Exchange Guidance, in accordance with Part E.

#### C18.7

The licensee must act in accordance with any published guidance, notice, decision, direction, or any other information or instruction issued by the Authority, in accordance with the provisions of the Tender Regulations.

Part B: The conduct and review of Onshore Transmission Tender Exercises

#### C18.8

When carrying out an Onshore Transmission Tender Exercise, the licensee must execute its functions in respect to that Onshore Transmission Tender Exercise in an effective and efficient manner.

#### C18.9

In complying with C18.8 the licensee must:

- (a) run any Onshore Transmission Tender Exercise as efficiently as possible, based on all relevant information available to it at the time; and
- (b) ensure an Onshore Transmission Tender Exercise is subject to transparent, non-discriminatory procedures in accordance with the Tender Regulations and any associated guidance documents published or updated by the Authority from time to time.

#### C18.10

In complying with C18.9(b) the licensee must:

- (a) provide to Bidders any relevant information pertaining to an Onshore Transmission Tender Exercise in accordance with the Tender Regulations;
- (b) identify, assess and mitigate any conflict of interest concerning persons involved in an Onshore Transmission Tender Exercise in accordance with the Tender Regulations; and
- (c) implement any agreed recommendations or outcomes of any review conducted by the Authority, or another person appointed by the Authority of:
  - (i) the conduct of an Onshore Transmission Tender Exercise; or
  - (ii) the implementation of any other functions conferred upon it by the Tender Regulations.

#### C18.11

When making a request to the Authority to commence an Onshore Transmission Tender Exercise in accordance with the Tender Regulations, the licensee must ensure that its assessment, as to how the project has met the consumer benefit criterion set out in the Criteria Regulations, is based on the cost-benefit analysis methodology most recently decided upon by the Authority and up-to-date input data in compliance with paragraph C18.9(a).

Part C: Submission of Onshore Transmission Tender Exercise documents for approval by the Authority

#### C18.12

Subject to paragraph C18.13, the licensee must, in accordance with the Tender Regulations and associated guidance, submit any Tender Documentation for approval by the Authority.

#### C18.13

Tender Documentation must be submitted by the licensee no later than the date specified by the Authority for submission of that Tender Documentation.

Part D: Provision of information to Bidders

#### C18.14

Subject to paragraph C18.16, the licensee must provide to Bidders any information reasonably necessary to enable a Bidder to identify and evaluate an Onshore Transmission Tender Exercise, including (but not limited to):

- (a) Tender Documentation, which it has compiled into a tender pack and includes technical specifications; and

- (b) where the Bidder is a Qualifying Bidder, information the licensee has received from a Transmission Owner in response to a request for information made under paragraph C18.15(b) or (c).

#### C18.15

Subject to paragraph C18.16, in respect to information held by Transmission Owners, for the purposes of an Onshore Transmission Tender Exercise, the licensee may request information from a Transmission Owner in the following circumstances:

- (a) The licensee may request information relating to the Transmission Owner's Transmission Area as is reasonably required to prepare the Tender Documentation.
- (b) The licensee may request information during the Invitation to Tender Stage in accordance with the information request template provided in the Onshore Competition Information Exchange Guidance.
- (c) The licensee may make other reasonable requests for information outside of those requested under C18.15(a) and (b).

#### C18.16

Any information provided to Bidders in pursuance of this condition or any information requested under paragraph C18.15 must be in accordance with the obligations and arrangements set out in the Tender Regulations, the Onshore Competition Information Exchange Guidance, any relevant confidentiality agreement to which the licensee, Transmission Owners and Qualifying Bidders are parties, and this condition.

#### C18.17

Subject to paragraph C18.16, the licensee must ensure that any information received from Transmission Owners pursuant to C18.15, which it provides to Bidders pursuant to its obligation under C18.14, shall not be altered, amended, or changed in such a way as to affect its integrity without prior notice to the relevant Transmission Owner.

#### C18.18

Where it has proposed to conduct an Onshore Transmission Tender Exercise, the licensee must request Transmission Owner participation in the Onshore Competition Information Exchange Process in accordance with the Onshore Competition Information Exchange Guidance.

#### C18.19

If the licensee receives a dispute on one of its requests for information from a Transmission Owner under paragraph C18.15 the licensee must seek to resolve all such matters in the first instance under the dispute process as set out in the Onshore Competition Information Exchange Guidance.

#### C18.20

The licensee may, where appropriate, request a Transmission Owner to facilitate a site visit for Qualifying Bidders in accordance with the Onshore Competition Information Exchange Guidance.

### Part E: Onshore Competition Information Exchange Guidance

#### C18.21

The licensee must comply with the Onshore Competition Information Exchange Guidance.

C18.22

The Authority will issue and amend the Onshore Competition Information Exchange Guidance from time to time.

C18.23

The Authority will publish the Onshore Competition Information Exchange Guidance on its website.

C18.24

Before issuing the Onshore Competition Information Exchange Guidance, the Authority will publish on its website:

- (a) the text of the proposed Onshore Competition Information Exchange Guidance;
- (b) the reasons for the proposed Onshore Competition Information Exchange Guidance; and
- (c) a period during which representations on the proposed Onshore Competition Information Exchange Guidance may be made, which will not be less than 28 days.

C18.25

Before directing an amendment to the Onshore Competition Information Exchange Guidance, the Authority will publish on its website:

- (a) the text of the amended Onshore Competition Information Exchange Guidance;
- (b) the date on which the Authority intends the amended Onshore Competition Information Exchange Guidance will take effect;
- (c) the reasons for the amendments to the Onshore Competition Information Exchange Guidance; and
- (d) a period during which representations on the amendments to the Onshore Competition Information Exchange Guidance may be made, which will not be less than 28 days

## **Interpretations and definitions**

To be added to CONDITION A1. DEFINITIONS

<u>Bidder</u>	<u>has the meaning given in Regulation 2 of the Tender Regulations.</u>
<u>Invitation to Tender Stage</u>	<u>means the stage of an Onshore Transmission Tender Exercise for the licensee to determine which Qualifying Bidder is to be selected to become the Provisional Preferred Bidder in respect of that Onshore Transmission Tender Exercise.</u>
<u>Onshore Competition Information Exchange Guidance</u>	<u>means the document of that name issued by the Authority in accordance with Part B</u>

	<u>of Special Condition 9.20 (Tender Support Activities in onshore electricity transmission) of the relevant Transmission Owner's Transmission Licence and referred to in Part E of Condition C18 of this licence.</u>
<u>Onshore Competition Information Exchange Process</u>	<u>means the process of sharing information during an Onshore Transmission Tender Exercise in accordance with the Onshore Competition Information Exchange Guidance.</u>
<u>Onshore Transmission Tender Exercise</u>	<u>has the meaning given in Regulation 2 of the Tender Regulations.</u>
<u>Provisional Preferred Bidder</u>	<u>has the meaning given in Regulation 2 of the Tender Regulations.</u>
<u>Qualifying Bidder</u>	<u>has the meaning given in Regulation 2 of the Tender Regulations.</u>
<u>Tender Documentation</u>	<u>has the meaning given in Regulation 2 of the Tender Regulations.</u>
<u>Tender Regulations</u>	<u>means the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.</u>

## **Schedule 2 – Relevant licence holders in relation to this modification**

- Electricity System Operator Licence
  - National Energy System Operator (NESO)