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Consultation on the draft second preliminary Strategic Direction Statement

Dear Annie Appleton,

Thank you for the opportunity to respond to your consultation on the draft second preliminary Strategic Direction Statement for industry codes.

Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry.

NESO's primary duty is to promote three objectives: enabling delivery of a cleaner, affordable and reliable energy system for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

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We look forward to engaging with you further. Should you require further information on any of the points raised in our response please contact Rita Wadey, Head of Energy Policy, at rita.wadey@neso.energy.

Yours sincerely

Rita Wadey

Head of Energy Policy

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Appendix 1 Consultation Question Responses

Question 1: On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.

- Yes

Comments:

NESO would like to take this opportunity to make some additions.

System Access Reform – For context, the Electricity Networks Commissioner published a report in June 2023 that focused on the need to accelerate electricity transmission network build. In November 2023, NESO subsequently initiated a project with Transmission Owners (TOs) to deliver the outage planning recommendations from the Commissioner's Report. System Access Reform will play a key role in the deliverability of the Clean Power 2030 Plan.

To date, four Code Modifications have been (or are in the process of being) raised by NESO, in collaboration with TOs, to deliver the System Access Reform programme:

- [GSR035](#) System Access Reform – Changes to Enable Beneficial Outages Without Compromising System Security (currently at workgroup stage)
- [GSR036](#) System Access Reform – Review of the voltage limits
- [PM0153](#) System Access Reform – Emergency Return to Service (ERTS): Profiling Review
- [PM0154](#) STCPI6-1 System Access Reform – Investment Planning Process: Data on Constraint Costs

We anticipate raising a Grid Code Modification. Further code modifications may be required as part of this programme, which should be reflected in the SDS.

We would also like to flag a potential package of code modifications which would need to be progressed if the United Kingdom was to participate in the European Union's internal electricity market. Whilst the progression of these would be dependent on the outcome of negotiations between the UK and the EU, we anticipate these could fall into both the "Think & Plan" and "Listen & Wait" categories.

Finally, we want to ensure that all relevant elements of the recently finalised NESO Business Plan are reflected within the SDS and may require associated code changes. For example:

- CSNP, which is likely to require changes to the Grid Code and CUSC
- Network Control Management System and Open Balancing Platform (OBP), which may require changes to the Grid Code and BSC

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- Ensuring fit-for-purpose markets (including, but not limited to, products and services such as demand-side flexibility, demand for constraints, and Mandatory Frequency Response), which are likely to require changes to the BSC, Grid Code and CUSC

NESO is happy to engage with Ofgem to ensure that Business Plan deliverables are appropriately captured within the SDS and to consider where code changes may be required.

Question 2: Do you agree with the classification of each policy area within the three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.

- Agree

Comments:

The classification of each policy area appears reasonable; however, flexibility and discretion are needed to align code modification delivery with policy progression and industry resource constraints, particularly during periods of urgent change. Delays in policy development and limited industry resource will directly impact the delivery of code changes which are required to deliver the SDS.

Question 3: Do you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code modifications, where appropriate?

- Yes

Comments:

Under the current governance arrangements, a defect is required in order to raise a code change. The SDS sets out the key policy areas and high-level defects; however, further detail and analysis will be required to progress a code change. This includes ensuring the problem statement is clearly defined and, where appropriate, supported by evidence, ideally with a proposed high-level solution to support an efficient code change process.

This additional detail can be developed with industry outside of the SDS and provides industry with flexibility and discretion to propose an appropriate defect and solution.

Question 4: Do you support our proposed approach to convert the SDS from a preliminary document to a hybrid document, following designation of the BSC and the REC?

- Yes

Comments:

This approach appears appropriate. Positioning the SDS as a hybrid document, supported in the interim by the expectation that the Code Administrator will actively assess the change pipeline and make recommendations to the Code Panel, provides a pragmatic balance between structure and flexibility.

Question 5: Do you have any other feedback?

Comments:

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The Second Preliminary SDS is broadly as expected. However, further clarification from the Authority is needed on how prioritisation should operate during the transitional period, particularly across SDS-driven strategic change, the existing in-flight pipeline, and urgent modifications.

The volume of urgent modifications raised by code parties is likely to persist across certain codes, particularly the CUSC. As these are not subject to the same prioritisation criteria, they sit outside the SDS and risk undermining its delivery, given the industry resource required to progress urgent code changes.

Given this, it would be prudent to review the governance and prioritisation arrangements for urgent modifications to ensure they are appropriately managed alongside the SDS, and that overall SDS delivery can be achieved within the intended timescales.

In addition, the expected volume of 'high priority' change and the existing backlog (including within CUSC) suggests that clear prioritisation parameters, including cross-code prioritisation, will be increasingly important. It may be helpful for the Hybrid SDS to provide some indication of the relative importance of strategic initiatives—for example, through indicative priority weighting—to support delivery decisions.

Clarity on how competing priorities should be resolved—for example, between urgent non-SDS changes and SDS 'Act Now' items—would help Code Administrators and Panels apply prioritisation in a consistent and transparent way.

Finally, in relation to RNP charging reforms, we suggest removing the underlined section: *"Proposed short term changes to transmission network charging not aligned with the delivery of RNP will be deprioritised, unless they [...] could help inform RNP policy [...]"*. We are concerned that this could be considered a disingenuous use of modification workgroup time if informing RNP policy is the main objective. CUSC modifications, and their working groups should be used to address known defects in the CUSC. We do not believe they should be used to progress policy development that will ultimately proceed outside of BAU code governance processes.