September 2026

Gas System Planner Licence

Table of Contents

Section A: Definitions and interpretation 4

Condition A1 Definitions 4

Condition A2 Interpretation 37

Condition A3 Housekeeping licence modifications 40

Section B: Business conduct and independence 41

Condition B1 Independence Requirements and compliance obligations 41

Condition B2 Restriction on activity and financial ringfencing 48

Condition B3 Conduct of ISOP Business 49

Condition B4 Compliance with directions related to national security 50

Condition B5 Prohibition of cross-subsidies 51

Condition B6 Information ringfencing obligations 51

Section C: Strategic and operational functions 54

Condition C1 General obligations on ISOP's activities 54

Condition C2 Licensee’s regard to Strategy and Policy Statement 56

Condition C3 Digitalisation 57

Condition C4 Licensee’s assessment of gas supply security 59

Condition C5 Licensee's obligations regarding critical national infrastructure 60

Condition C6 Energy resilience and resilience reporting 61

Condition C7 Arrangements in coordinating market strategy 65

Condition C8 Gas strategic network planning 65

Condition C9 Gas Network Innovation Strategy 70

Condition C10 Future Energy Pathways 72

Condition C11 Strategic Spatial Energy Plan 76

Condition C12 Centralised Strategic Network Plan 77

Condition C13 Regional Energy Strategic Plan 81

Section D: Provision of advice and information 87

Condition D1 Provision of ISOP Advice 87

Condition D2 Information requests by the licensee 88

Condition D3 Provision of information to the Authority 90

Section E: Industry Codes and charging 91

Condition E1 Obligations regarding the Uniform Network Code 91

Section F: Finance and funding arrangements 94

Condition F1 Gas revenue calculations and notification process 94

Condition F2 Innovation funding 97

Condition F3 Assets and resources 99

Condition F4 Financial model and handbook 102

Condition F5 Requirements on staff remuneration and expenses 104

Section G Regulatory reports and assessment 106

Condition G1 Business Plan 106

Condition G2 Performance reports and assessment 109

Section A: Definitions and interpretation

Condition A1 Definitions

Introduction

A1.1 The purpose of this condition is to set out the defined terms that are used in the conditions of this licence (all of which are capitalised throughout these conditions).

Part A: Definitions

A1.2 In these conditions the following defined terms have the meanings given in the table below.

A1.3 Where it is stated in these conditions that the outputs, delivery dates and allowances are located in another document, the following defined terms also have the meanings given in the table below in that document.

A1.4 Where the table below states that a defined term has the meaning given to it by:

(a) another condition of this licence;

(b) a condition of another licence;

(c) the STC;

(d) the Grid Code;

(e) the CUSC;

(f) the BSC;

(g) the Uniform Network Code;

(h) the Fuel Security Code;

(i) a document issued and amended by the Authority by direction in accordance with this licence (any reference to such a document is to that document as amended from time to time unless otherwise specified); or

(j) an Act of Parliament,

the defined term is to have the meaning given in that provision or document as amended from time to time.

A

Advice Process Document	means a document of that name issued to the licensee by the Secretary of State to provide for guidance and terms for the licensee to provide ISOP Advice in accordance with section 171 of the Energy Act 2023.
Affiliate	means any Holding Company of a person, any Subsidiary of that person, or any Subsidiary of a Holding Company of that person.

Ancillary Services	means: (a) such services as any Authorised Electricity Operator may be required to have available as ancillary services pursuant to the Grid Code; and (b) such services as any Authorised Electricity Operator or person making Electricity interconnector transfers may have agreed to have available as being ancillary services pursuant to any agreement made with the Electricity System Operator and which may be offered for purchase by the Electricity System Operator for the purpose of securing stability of operation of the National Electricity Transmission System and the Distribution System of any Authorised Electricity Operator or any system linked to the National Electricity Transmission System by an Electricity Interconnector.
Annual Performance Assessment	means the annual assessment of the licensee's performance carried out by the Authority pursuant to the arrangements established in condition G2 (Performance Reports and Assessment) and the NESO Performance Arrangements Governance Document.
Applicable Executive Committee Members	means the licensee's chief executive officer, chief operating officer, and chief financial officer (or any equivalent positions).

Applicable Senior Staff	means employees of the licensee which: (a) hold senior leadership positions and are members of executive committees (or equivalent decision-making groups) which oversee the operation of the ISOP Business; and (b) have relevant leadership responsibilities or accountabilities with respect to the delivery of value for money in the licensee's expenditure or the achievement of the performance outcomes assessed as part of the Annual Performance Assessment. This includes but is not limited to the licensee's chief executive operator; chief operating officer; chief financial officer; members of any executive committees established to oversee the delivery of the licensee's Business Plan commitments; and
	any persons that the Authority confirms meets criteria (a) and (b) above.

Asset Disposal	means the disposal of a Relevant Asset, whereby: (a) in relation to a Relevant Asset situated in England and Wales, disposal means any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition; (b) in relation to a Relevant Asset situated in Scotland, disposal means the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land; (c) in relation to disposal of a Relevant Asset situated in a Renewable Energy Zone any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist.
Authorised Distributor	has the same meaning as in Part 1 of the Electricity Act 1989.

Authorised Electricity Operator	means any person (other than the licensee in its capacity as operator of the National Electricity Transmission System) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an Electricity Interconnector and for the purposes of condition B6 (Prohibition on discriminating between users), condition E12 (Requirement to offer terms), and condition E13 (Functions of the Authority) of the Electricity System Operator Licence shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the National Electricity Transmission System across any Electricity Interconnector (or who has made an application for use of an Electricity Interconnector which has not been refused).
Authority	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.
Authority's Website	means www.ofgem.gov.uk

B

Balancing Mechanism	means the mechanism for the making and acceptance of offers and bids pursuant to the arrangements contained in the BSC and referred to in paragraph B1.1(a) of special condition 1 of the code manager licence granted to Elexon Ltd in respect of the BSC. ~~paragraph E1.12(a) of condition E1 (Balancing and Settlement Code (BSC)) of the Electricity System Operator Licence.~~

Balancing Services	means: (a) Ancillary Services; (b) offers and bids made in the Balancing Mechanism; (c) Restoration Services; and (d) other services available to the licensee which serve to assist the licensee in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System in accordance with its statutory duties or the conditions of the Electricity System Operator licence, but shall not include anything provided by a Transmission Licensee pursuant to the STC.
Board	means the licensee's board of directors.
Business Plan	means a plan established and published under Part A of condition G1 (Business Plan).

C

CDSP Service Agreement	has the meaning given to that term in the Transporter Licence Standard Special Condition A15 (Central Data Service Provider).
Centralised Strategic Network Plan (CSNP)	means the coordinated strategic plan for long-term development of the electricity and gas transmission systems, including hydrogen and other energy vectors over a 25-year period that identifies the need for delivery of immediate and future infrastructure projects across Great Britain as well as identifying solutions for long and shortterm system operability issues.
Commission	means the form of the direction issued by the Secretary of State for the licensee to develop the SSEP, that sets out the scope, timing, inputs, outputs, interaction with wider strategic plans, and governance of the SSEP.
Compliance Officer	means a competent person with the skills and knowledge appointed to facilitate the licensee's compliance with the Independence Requirements and obligations under condition B1 (Independence Requirements and compliance obligations).

Compliance Report	means a report produced in accordance with Part F of condition B1 (Independence Requirements and compliance obligations).
Consistent Planning Assumptions	means a single set of assumptions developed by the licensee which drive coherent derivation of network requirements resulting from the RESP Pathways.
Cost Efficiency Notice	means a notice issued by the Authority to the licensee under Part A of condition F1 (Gas revenue calculations and notification process).
Cost Efficiency Plan	means a written submission to the Authority as required in Part A of condition F1 (Gas revenue calculations and notification process).
CSNP Coordination Governance Document	means a document developed and published by the Authority in accordance with Part G of condition C12 (Centralised Strategic Network Plan).
CSNP Guidance	means the document detailing the requirements for the licensee in its development of the CSNP in accordance with condition C12 (Centralised Strategic Network Plan).
CSNP Methodology	means the methodology describing how the licensee will develop the Centralised Strategic Network Plan, approved by the Authority, in accordance with condition C12 (Centralised Strategic Network Plan).

D

Data Best Practice	means a set of principles referenced to in the Data Best Practice Guidance document.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of condition C3 (Digitalisation).

<table>
<tr><td>Digitalisation</td><td>means the use of digital technologies to change an organisation’s operating model and provide new revenue or equivalent value-creating opportunities; it is the process of moving to a digital business or organisation.</td></tr>
<tr><td>Digitalisation Action Plan</td><td>means a document prepared and published by the licensee in accordance with Part B of condition C3 (Digitalisation).</td></tr>
<tr><td>Digitalisation Strategy</td><td>means a document prepared and published by the licensee in accordance with Part A of condition C3 (Digitalisation).</td></tr>
<tr><td>Directly Remunerated Services</td><td>has the meaning given to that term in the relevant licence condition held by any Gas Transporter Licensee.</td></tr>
<tr><td>Disposal</td><td>has the meaning given in standard condition 29 (Disposal of Assets) of the Transporter Licence.</td></tr>
<tr><td>Distribution Licence</td><td>means a licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989.</td></tr>
<tr><td>Distribution Network</td><td>means a gas distribution network as defined with reference to the aggregate of its constituent local distribution zones (as defined in the Uniform Network Code (‘LDZs’)) in accordance with the table set out below:
<table>
<tr><td>Distribution Network</td><td>LDZ</td></tr>
<tr><td>East of England</td><td>East Midlands, Eastern</td></tr>
<tr><td>London</td><td>North Thames</td></tr>
<tr><td>North West</td><td>North West</td></tr>
<tr><td>West Midlands</td><td>West Midlands</td></tr>
<tr><td>Northern</td><td>Northern, North East</td></tr>
<tr><td>Scotland</td><td>Scotland</td></tr>
<tr><td>Southern</td><td>South East, Southern</td></tr>
<tr><td>Wales and West</td><td>Wales North, Wales South, South West</td></tr>
</table></td></tr>
<tr><td>Distribution Services Provider</td><td>means any Electricity Distributor in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence have effect (whether in whole or in part).</td></tr>
</table>

Distribution System	means the system consisting (wholly or mainly) of electric lines owned or operated by an Authorised Distributor and used for the distribution of electricity from Grid Supply Points or Generation Sets or other entry points to the points of delivery to customers or Authorised Electricity Operators or any Transmission Licensee or the ISOP in its capacity as operator of the relevant licensee's Transmission System or the National Electricity Transmission System and includes any electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but must not include any part of the National Electricity Transmission System.
DN Operator	means a person who holds a licence granted or treated as granted under section 7 of the Gas Act 1986 in relation to one or more Distribution Networks who is obliged to comply with one or more conditions in standard special conditions Part D of the Transporter Licence.
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of condition C3 (Digitalisation).

E

Electricity Generator	means any person who holds a Generation Licence granted under section 6(1)(a) of the Electricity Act 1989.
Electricity Interconnector	has the meaning given to 'electricity interconnector' in section 4(3E) of the Electricity Act 1989.
Electricity Licence Expenditure	means expenditure the licensee has allocated for recovery through condition F1 (Expenditure and allowed revenue) of the Electricity System Operator Licence, according to the Total Cost Allocation Methodology.

Electricity Markets	means markets for electricity, including over-thecounter markets and electricity exchanges, markets for the trading of energy, capacity, Balancing Services and Ancillary Services in all timeframes, including forward, day-ahead and intraday markets.
Electricity Storage	means the conversion of electrical energy into a form of energy that can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy.
Electricity Storage Facility	means a facility where Electricity Storage occurs.
Electricity System Operator	means a person who holds an Electricity System Operator Licence and who is the ISOP.
Electricity System Operator Licence	means a licence granted or treated as granted under section 6(1)(da) of the Electricity Act 1989.
Eligible SIF Projects	means a project undertaken by the licensee or any Gas Transporter Licensee that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
Emergency Processes Assessment	means a report of that name prepared under Part D of condition C6 (Energy resilience and resilience reporting).
Energy Resilience Assessment Report	means a report of that name prepared under Part C of condition C6 (Energy resilience and resilience reporting).
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Entry Capacity	means capacity in the National Transmission System which a Relevant Shipper is treated as utilising in delivering gas to the National Transmission System (and to the total system) at an NTS Entry Point.

Entry Capacity Substitution	is the process by which unsold Non-Incremental Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Incremental Obligated Entry Capacity at another NTS Entry Point in accordance with the obligations set out in the Transporter Licence special condition 9.17 (Entry and Exit Capacity obligations and methodology statements) held by National Gas Transmission plc.
Exit Capacity	means capacity in the National Transmission System which a Relevant Shipper or DN Operator is treated as utilising in off-taking gas from the National Transmission System at an NTS Exit Point.
Exit Capacity Substitution	means the process by which unsold NonIncremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance with the obligations set out in the Transporter Licence special condition 9.17 (Entry and Exit Capacity obligations and methodology statements) held by National Gas Transmission plc.
Expenses Policy	means the expenses policy described in condition F5 (Remuneration Policy and Expenses Policy).

F

Financial Conduct Authority	means the financial conduct authority established under Part 1A of the Financial Services and Markets Act 2000.
Financial Year	means a period of 12 months beginning on 1st April of each year and ending on 31st March of the following calendar year.
Firm Entry Capacity	has the meaning given to that term in the Uniform Network Code.
Firm Exit Capacity	has the meaning given to that term in the Uniform Network Code.

FSO Day 1	means the date on which the first designation of the Independent System Operator and Planner (ISOP) had effect under the Energy Act 2023 which was 1 October 2024.
FSO Day 1 Agreements	means the Leases, the Operational Services Agreement and the Transitional Services Agreement.
FSO Transition Activities	means activities carried out by the licensee and/or National Grid Holdings One plc (together with other companies in National Grid plc's group) to: (a) separate the licensee's business from National Grid Holdings One plc and other companies in National Grid plc's group; (b) transform the licensee so it has the capabilities, systems and processes needed to perform the roles and responsibilities of the ISOP (including with respect to gas); and (c) support the development of the governance and regulatory arrangements for the ISOP.
Fuel Security Code	means the document of that title designated as such by the Secretary of State as from time to time amended.
Fuel Trading Business	means: (a) activities connected with the acquisition and Disposal of gas or electricity in Great Britain; (b) activities connected with the storage of gas at an offshore storage installation or storage cavities in natural strata; or (c) activities connected with arranging with a Gas Transporter for gas to be introduced into, conveyed by means of or taken out of a pipeline system operated by that Gas Transporter, other than such activities relating to gas or electricity intended for consumption outside Great Britain as are designated for the purposes of this condition by the Authority.

Funded Incremental Obligated Entry Capacity	is Incremental Obligated Entry Capacity, the release of which has been funded under Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable ($FIOC_t$ and $FIOCRE_t$)) of the Transporter Licence held by National Gas Transmission plc.
Funded Incremental Obligated Exit Capacity	is Incremental Obligated Exit Capacity, the release of which has been funded under Special Condition 3.13 (Funded incremental obligated capacity Re-Opener and Price Control Deliverable ($FIOC_t$ and $FIOCRE_t$)) of the Transporter Licence held by National Gas Transmission plc.
Future Energy Pathways	means the range of different, optimal pathways developed by the licensee to decarbonise the UK's electricity and gas system to meet Government net zero targets set out in the Climate Change Act 2008 and associated policies.
Future Energy Pathways Guidance	means the document, developed by the Authority in accordance with condition C10, that sets out guidance for the licensee in developing the Future Energy Pathways.
Future Energy Pathways Methodology	means the analytical and procedural framework developed by the licensee and approved by the Authority which sets out how the licensee will model future supply and demand to develop a range of different, credible pathways.
Future Market Plan	means the plan prepared under condition C7 (Arrangements in coordinating market strategy).

G

Gas Interconnector	has the meaning given to 'gas interconnector' in section 5 of the Gas Act 1986.

Gas Licence Expenditure	means expenditure the licensee has allocated for recovery through the terms set out in condition F1 (Gas revenue calculations and notification process) of this licence which: (a) is allocated in accordance with the Total Cost Allocation Methodology; (b) is an amount which is reflective of the expenditure incurred by the licensee in undertaking the functions of the Gas System Planner Licence; (c) excludes any interest, other financing and corporation tax costs; and (d) excludes any costs that the licensee has been allowed under Part C of condition F1 (Expenditure and allowed revenue) of the Electricity System Operator Licence.
Gas Network Capability Needs Report	means the report prepared in accordance with Part B of condition C8 (Gas strategic network planning).
Gas Network Innovation Strategy	means a document, or suite of documents, published by the Relevant Network Licensees that complies, or together comply, with the requirements of condition C9 (Gas Network Innovation Strategy).
Gas Options Advice Document	means the document of that name prepared by the licensee under Part C of condition C8 (Gas strategic network planning).
Gas Shipper	has the meaning given to this term in section 7A(11) of the Gas Act 1986.
Gas Supplier	has the meaning given to this term in section 7A(11) of the Gas Act 1986.
Gas Supply Security Assessment	means the assessment of that name produced by the licensee under Part A of condition C4 (Licensee's assessment of gas supply security).
Gas System Planner Licence	means a licence granted or treated as granted under section 7AA of the Gas Act 1986.
Gas Transporter	has the meaning given to this term in section 7(1) of the Gas Act 1986.
Gas Transporter Licensee	means the holder of a licence granted or treated as granted under section 7 of the Gas Act 1986.

GB Steering Committee	means a governance body that involves, at a minimum, the Authority, the licensee, and the Secretary of State. Together they provide strategic
	oversight, expertise, advice, and national-level coordination of strategic energy planning during development of the RESP Methodology and the RESPs.
Generation Licence	means a licence granted or treated as granted under section 6(1)(a) of the Electricity Act 1989.
Generation Set	means any plant or apparatus for the production of electricity and shall where appropriate include a generation station comprising more than one generating set.
Great Britain	means the landmass of England and Wales and Scotland, including internal waters.
Grid Code	means the Grid Code required to be drawn up by the licensee pursuant to condition E3 (Grid Code) in the Electricity System Operator Licence, as from time to time modified in accordance with that condition.
Grid Supply Point	means any point at which electricity is delivered from the National Electricity Transmission System to any Distribution System.

H

Holding Company	means a holding company within the meaning of section 1159 of the Companies Act 2006.

Housekeeping Modification	means minor changes such as: (a) renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired; (b) corrections of evident mistakes including typographical errors, incorrect crossreferences and formatting errors; and (c) updates to: (i) version numbers of other documents mentioned in the licence; (ii) the titles of re-enacted legislation; and (iii) names of bodies that have been renamed.
Housekeeping Modification Working Group	means a working group established for the purposes of considering proposed Housekeeping Modifications under condition A3 (Housekeeping licence modifications).

I

Incremental Obligated Entry Capacity	means the volume of Firm Entry Capacity which the NTS System Operator is required to offer for sale at an NTS Entry Point that is above the level of Non-Incremental Obligated Entry Capacity, and is derived in accordance with the methodology statements which is in place under the Transporter Licence special condition 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes) held by National Gas Transmission plc.
Incremental Obligated Exit Capacity	means the volume of Firm Exit Capacity which the NTS System Operator is required to offer for sale at an NTS Exit Point that is above the level of Non-Incremental Obligated Exit Capacity, and is derived in accordance with the methodology statements which the licensee must have in place under the Transporter Licence special condition 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes) held by National Gas Transmission plc.

Independent Challenge Panel	means a panel of energy sector stakeholders, established under condition G2 (Performance reports and assessment), to promote engagement between the licensee and stakeholders on the licensee's performance and make recommendations to the Authority.
Independence Requirements	means the requirements set out in Part A of condition B1 (Independence Requirements and compliance obligations).
Independence Statement	means a statement of that name prepared under Part E of condition B1 (Independence Requirements and compliance obligations).

Independent System Operator and Planner (ISOP)	means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 who holds an Electricity System Operator Licence and Gas System Planner Licence.
Industry Code	means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Electricity Act 1989 or under sections 7, 7ZA, 7A, 7AA, 7AB, or 7AC of the Gas Act 1986.
Industry Readiness and Preparedness Report	means a report of that name prepared under Part E of condition C6 (Energy resilience and resilience reporting).
Information Request Notice	means a notice issued by the licensee in accordance with condition D2 (Information requests by the licensee).
Innovation Project	means a project funded by the: (a) RIIO-2 NIA; (b) RIIO-3 NIA; or (c) SIF.
Internal Expenditure	means the net expenditure incurred by the licensee in order to carry out the ISOP Business and which is recoverable by the licensee through the term INTEt in condition F1 (Expenditure and allowed revenue) of the Electricity System Operator Licence.

IP Completion Day	has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.
ISOP Advice	means advice, analysis or information provided by the ISOP in accordance with section 171 of the Energy Act 2023.
ISOP Affiliate	means any Subsidiary of the licensee.
ISOP Associate	means an ISOP Affiliate or ISOP Related Undertaking in which the licensee holds shares or other investments.
ISOP Business	means any business or activities that are: (a) the ISOP's functions (as described in section 161(2) of the Energy Act 2023); (b) exercisable in connection with the ISOP's functions; and/or (c) any business or activity to which the Authority has given its consent in Writing.
ISOP Information Request Statement	means the statement prepared by the licensee and approved by the Authority in accordance with Part B of condition D2 (Information requests by the licensee).
ISOP Related Undertaking	means any Undertaking in which the licensee has a Participating Interest.
ISOP Working Capital Facility	means a financing agreement between Government and the ISOP to allow for short term financing of working capital requirements.

J K
L

Leases	means the leases and associated documents entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.

Licence Baseline Entry Capacity	means the volume of Entry Capacity as set out in Appendix 1 of the Transporter Licence special condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) held by National Gas Transmission plc and any Funded Incremental Obligated Entry Capacity from 5 years after the contractual delivery date of that capacity.
Licence Baseline Exit Capacity	means the volume of Exit Capacity as set out in Appendix 2 of the Transporter Licence special condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) held by National Gas Transmission plc and any Funded Incremental Obligated Exit Capacity from 5 years after the contractual delivery date of that capacity.
Licensed Distributor	means any holder of a Distribution Licence.

M

Material Investments	means any action that could reasonably be considered as a commitment by the licensee to incur a level of expenditure that goes substantially beyond the typical values incurred by the licensee through its day-to-day decision-making in respect of carrying out the ISOP Business, considering also the relative size of the expenditure (over the full period of the commitment) compared to the licensee's typical level of total expenditure in a Regulatory Year. This includes but is not limited to: (a) expenditure on major capital projects, such as: (i) the creation of new information technology systems; (ii) major rebuilds or upgrades to information technology systems; (iii) major renovation to existing property or control centres; and (iv) the development of new property or control centres.

Meter Reading Services	means the retrieval and verification of meter reading data from gas meters, the inspection of the meter from which data is retrieved and the delivery of such data to any relevant person for the purpose of data processing, other than in relation to meter readings that a Gas Transporter obtains on its own behalf for the purpose of securing the efficient and economical physical operation of its pipeline system.
Meter-Related Services	means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of National Gas Transmission, as at 01 July 2018, as defined within amended standard condition 8 (Provision and Return of Meters) of National Gas Transmission plc's Transporter Licence on that date.
Minister of the Crown	has the meaning given to that term in section 8(1) of the Ministers of the Crown Act 1975.

N

National Electricity Transmission System	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by Transmission Licensees, or operated by the licensee, within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a substation or to another generating station or between sub-stations or to or from any Electricity Interconnector and includes any electrical plant or meters owned or operated by any Transmission Licensee or the licensee within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity.
National Transmission System	means the National Transmission System as defined in the Uniform Network Code.

Nations and Regions Context	means a component of each RESP which provides a long-term view of regional conditions and priorities in the relevant RESP nation or region developed by the licensee in line with the RESP Guidance.
NESO Business Plan Guidance	means the document developed and published by the Authority in accordance with Part E of condition G1(Business Plan).
NESO Financial Handbook	means the document of that name that is published by the Authority and amended from time to time by direction in accordance with the provisions of condition F5 (Financial model and handbook) of the Electricity System Operator Licence and condition F4 (Financial model and handbook) of the Gas System Planner Licence.
NESO Financial Model	means the model of that name that is published by the licensee under condition F4 (Financial model and handbook) and is represented by a workbook in Microsoft Excel® format, or other computer programming language and data as appropriate; and that is used to determine the value of the term ARGSPt in accordance with the guidance contained in the NESO Financial Handbook.

NESO Licence Expectations Document	means the document of that name that is published by the Authority and amended from time to time by direction in accordance with the provisions of condition C1 (General principles and minimum standards) of the Electricity System Operator Licence and condition C1 (General principles and minimum standards) of the Gas System Planner Licence.
NESO Performance Arrangements Governance Document	means a document developed and published by the Authority in accordance with Part B of condition G2 (Performance reports and assessment).
Network Code Modification Procedures	has the meaning given to that term in the Transporter Licence: Standard Special Condition A11 (Network Code and Uniform Network Code).

Network Innovation Interested Parties	include, but are not limited to: the Engineering and Physical Sciences Research Council; the Department for Energy Security and Net Zero; Innovate UK and their successor bodies; and Gas Transporter Licensees that are not National Gas Transmission plc or a RIIO Gas Distribution Licensee.
Network Model	means a computer simulation used to predict the behaviour of the National Transmission System under different supply and demand scenarios.
Non-Incremental Obligated Entry Capacity	is the Licence Baseline Entry Capacity adjusted for Entry Capacity Substitution.
Non-Incremental Obligated Exit Capacity	is the Licence Baseline Exit Capacity adjusted for Exit Capacity Substitution.
Notice of Remediation	means a direction issued by the Authority pursuant to Part H of condition C1 (General principles and minimum standards).
NTS Entry Point	has the meaning given to that term in the Uniform Network Code.
NTS Exit Point	has the meaning given to that term in the Uniform Network Code.
NTS System Operation Activity	has the meaning given to that term in National Gas Transmission Plc's Transporter Licence Special Condition 1.1 (Interpretation and definitions).
NTS System Operator	has the meaning given to that term in National Gas Transmission Plc's Transporter Licence Special Condition 1.1 (Interpretation and definitions).
NTS Transportation Owner Charges	has the meaning given to that term in National Gas Transmission Plc's Transporter Licence special condition 1.1 (Interpretation and definitions).

O

Operational Services	means the operational services contracted to be provided to or from, the licensee under the Operational Services Agreement.

Operational Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
OSA Notice	means an Operational Services Agreement notice issued to the licensee by the Authority to the effect that Part C of condition B1 (Independence Requirements and compliance obligations) has been satisfied and no longer applies.

P

Participating Interest	has the meaning given in section 421A of the Financial Services and Markets Act 2000.
Performance-Related Pay	means any pay awarded to employees of the licensee which is additional to an employee's fixed base salary, and which is variable depending on the performance of the employee.
Permitted Purpose	means the purpose of: (a) carrying out the ISOP Business, or any business or activity within the limits of condition B2 (Restriction on activity and financial ringfencing); or (b) any other business or activity to which the Authority has given its specific consent to in Writing.
Plan Determination	means the document published by the Authority, in accordance with Part D of condition G1, setting out the Authority's determination in relation to the Business Plan for the period covered by the Business Plan submission.

Potential Conflict Party	means any party whose interests might be affected or favoured by the activities and decisions of the ISOP such that it might reasonably be viewed that the ISOP (or its personnel) could have a conflict of interest in relation to those activities or those decisions by virtue of a connection or relationship with that party. This may include: (d) a Regulated Person; (e) Holding Company of a Regulated Person; (f) trade association of Regulated Persons or shareholder with significant control of a Regulated Person; or (g) material or prospective material supplier or service provider to the ISOP where a reasonable concern about conflict might arise. This includes parties that hold a licence or exemption granted by or within the enforcement jurisdiction of the Authority. It excludes government bodies (except where that government body is, or carries on the functions of a Regulated Person, in which case the government body shall not be excluded).

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R

Reference Variable Rate	the variable rate of interest, as set out in the NESO Financial Handbook, that is set as the benchmark rate or reference rate for the ISOP Working Capital Facility.
Regional Energy Strategic Plan (RESP)	means a whole-system energy plan developed for RESP nations and regions by the licensee comprised of a Nations and Regions Context, a single 10-year RESP Pathway and multiple longer-term RESP Pathways, a Spatial Context, a Specification of Strategic Investment Need, and Consistent Planning Assumptions. The plural acronym RESPs is used to refer to multiple Regional Energy Strategic Plans.
Regulated Person	as the context requires, has the meaning given to that term in the Gas Act 1986 or the Electricity Act 1989.

Regulatory Year	means a period of 12 months commencing on 1 April.

Related Undertaking	means any Undertaking of a person, where that person has a Participating Interest.
Relevant Asset	means any asset for the time being forming part of the National Electricity Transmission System, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property).
Relevant Gas Market Participant	means interested parties that the licensee determines should participate in the forum established under paragraph C7.4 in condition C7 (Arrangements in coordinating market strategy).
Relevant Network Licensee	means a Gas Transporter Licensee with Standard Special condition A28 (Gas Network Innovation Strategy) in effect in its licence or the ISOP.
Relevant Network Model Data	means all the data necessary for the Network Model to satisfy the first two requirements in National Gas Transmission Plc's Transporter Licence Part B of special condition 9.12 (Licensee's Network Model).
Relevant Shipper	has the meaning given to the term in standard special condition A3 (Definitions and Interpretation) of the Transporter Licence.
Remediation Plan	means a plan developed by the licensee that meets the requirements of a Notice of Remediation issued by the Authority pursuant to Part H of condition C1 (General principles and minimum standards).

Remuneration Policy	means the remuneration policy described in Part B of condition F5 (Remuneration Policy and Expenses Policy).
Renewable Energy Zone	means an area designated by Order in Council under section 84(4) of the Energy Act 2004.

RESP Guidance	means the document of that name issued and amended by the Authority from time to time pursuant to condition C13.9.
RESP Information	means such information (other than information subject to legal privilege) to be provided by Distribution Services Providers and relevant holders of a Gas Transporter Licence with Distribution Networks to the licensee which: (a) relates to the Distribution Services Providers and relevant holders of a Gas Transporter Licence with Distribution Networks; (b) is in the possession or control of the Distribution Services Providers and relevant holders of a Gas Transporter Licence with Distribution Networks; and (c) the licensee considers necessary to develop the RESP Methodology or the RESPs.
RESP Methodology	means the methodology, approved by the Authority and the Secretary of State, in accordance with condition C13.144, describing how the licensee will develop RESPs.
RESP nations and regions	means a geographic area, as defined in the RESP Guidance, for which a RESP is developed.
RESP Pathway	means a component of each RESP which provides a spatially modelled projection of energy demand and supply over the RESP nations and regions developed by the licensee in line with the RESP Guidance.

Restoration Services	means services procured by the licensee and used to re-energise the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
RIGs	means the document published by the Authority in accordance with condition G3 (Regulatory Instructions and Guidance).
RIIO Gas Distribution Licensee	means Cadent Gas Ltd, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Ltd or any relevant successor companies.
RIIO-2 NIA	means the arrangements established by parts A to C of condition F2 (Innovation Funding) of the Electricity System Operator Licence as in force on 31 March 2026, and the equivalent conditions in the licences of network companies regulated under the RIIO-2 price control.
RIIO-3 NIA	means the arrangements established by parts A to D of condition F2 (Innovation Funding) of the Electricity System Operator Licence and the equivalent conditions in the licences of network companies regulated under the RIIO-3 price control.

S

SIF	means the strategic innovation fund established by condition F2 (Innovation funding).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any Gas Transporter Licensee, that have not been otherwise remunerated by NTS Transportation Owner Charges, Directly Remunerated Services (as defined in the special conditions of those licences) for any Gas Transporter Licensee or the SIF Funding Mechanism.

SIF Disallowed Expenditure	means revenue received (whether by the licensee or any Gas Transporter Licensee) under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant Project Direction.
SIF Funding	means the total amount of funding authorised by the Authority for the licensee, Gas Transporter Licensees and any body administering the SIF, in accordance with the provisions of the SIF Governance Document, for the purpose of funding the administration of the SIF and Eligible SIF Projects.
SIF Funding Mechanism	means the mechanism by which the licensee receives the amount of authorised SIF Funding in any Regulatory Year from the NTS System Operator, less any SIF Funding Return.

SIF Funding Return	means the total amount, in respect of the licensee, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means a mechanism which provides for payments to be made by the licensee to the NTS System Operator, in each case to such extent (if any) as may be relevant, of: a) SIF Halted Project Revenues; b) SIF Disallowed Expenditure; c) SIF Returned Royalty Income; and d) SIF Returned Project Revenues.
SIF Governance Document	means the document issued by the Authority under Part C of condition F2 (Innovation funding).

SIF Halted Project Revenues	means revenues received, whether by the licensee or any Gas Transporter Licensee, under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: a) revenues received by the licensee from the NTS System Operator under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or b) revenues earned from an Eligible SIF Project by the licensee other than SIF Returned Royalty Income, that the Authority determines are payable to customers.

SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any Gas Transporter Licensee, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.

Spatial Context	means a component of each RESP which provides a geospatial view of RESP Pathways against network data indicating network capacity requirements over the RESP nations and regions developed by the licensee in line with the RESP Guidance.
Specification of Strategic Investment Need	means a component of each RESP developed by the licensee in line with the RESP Guidance which identifies areas of investment need within the RESP nations and regions which are of high economic and/or system value and necessary to the delivery of regional priorities as set out in the Nations and Regions Context.
Statutory Network Security Standard	has the meaning given to the term "Gas Security Standard" in the Transporter Licence standard special condition A9 (Pipeline System Security Standards).
Strategic Aims	means a document which: (a) sets out the medium to long term outcomes and impacts the licensee is aiming to achieve; (b) explains the licensee's strategy for delivering those outcomes and impacts; and (c) meets other relevant requirements in the NESO Business Plan Guidance
Strategic Board	means a governance body for the oversight of the delivery and approval of each RESP that involves Distribution Services Providers and relevant holders of a Gas Transporter Licence with Distribution Networks, devolved and local governments, and regional cross-sector bodies to provide oversight and steer to the RESP development process and strategic outputs.
Strategic Innovation Fund (SIF)	means the strategic innovation fund established by condition F2 (Innovation funding).

Strategic Planning Options Proposal	means the document prepared by National Gas Transmission Plc in accordance with its Transporter Licence Part B of special condition 9.10 (Licensee's network planning).
Strategic Spatial Energy Plan (SSEP)	means the supply and demand pathway for Great Britain, which is prepared by the licensee in line with objectives and scope defined in the Commission.
Strategic Spatial Energy Plan Methodology (SSEP Methodology)	means the document of that name, published on the licensee's website, that sets out methodologies to create the SSEP developed by the licensee and approved by the Secretary of State and the Authority.
Strategy and Policy Statement	means the statement for the time being designated under section 131(1) of the Energy Act 2013.
Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006.
Sufficiently Independent Director	means a director appointed by the licensee who meets the requirements set out in Part B of condition B1 (Independence requirements and compliance obligations).
System Operator - Transmission Owner Code (STC)	means the document required to be in place pursuant to condition E4 (System Operator – Transmission Owner Code (STC)) of the Electricity System Operator Licence, as from time to time modified in accordance with that condition.
System Resilience	means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity.

T

Total Cost Allocation Methodology	means the methodology established by the licensee under Part B of condition F1(Gas Revenue Calculations and Notification Process) to allocate its total expenditure as either Electricity Licence Expenditure or Gas Licence Expenditure.

Transitional Services	means the transitional services contracted to be provided to the licensee under the Transitional Services Agreement.
Transitional Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
Transmission Area	has the meaning given to that term in the relevant Transmission Licensee's special licence conditions.
Transmission Licence	means a licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
Transmission Licence Section D (transmission owner standard conditions) Direction	means a direction issued by the Authority in accordance with standard condition A3 (Application of Section D) of the Transmission Licence.
Transmission Licensee	means a person who holds a Transmission Licence.
Transmission Owner	means a Transmission Licensee to which the Authority has issued a Transmission Licence Section D (transmission owner standard conditions) Direction and where the Transmission Licence Section D Direction remains in effect (whether or not subject to any terms included in a Transmission Licence Section D Direction or to any subsequent variation of its terms to which the Transmission Licensee may be subject).
Transmission System	means those parts of the National Electricity Transmission System which are a) owned by a Transmission Owner within its Transmission Area; or b) operated by the Electricity System Operator.
Transporter Licence	means a licence granted or treated as granted under section 7 of the Gas Act 1986.

TSA Notice	means a Transitional Services Agreement notice issued to the licensee by the Authority to the effect that Part D of condition B1 has been satisfied and no longer applies.

U

UNC Panel	means a panel body as specified in the Uniform Network Code and referred to as the "panel" in paragraph 6(d) of the Transporter Licence standard special condition A11 (Network Code and Uniform Network Code).
UNC Relevant Objectives	has the meaning given to the term "relevant objectives" in the Transporter Licence Standard special condition A11 (Network Code and Uniform Network Code).
UNC Significant Code Review	has the meaning given to the term "significant code review" in the Transporter Licence standard special condition A11 (Network Code and Uniform Network Code).
Undertaking	means an undertaking within the meaning of section 1161 of the Companies Act 2006.
Uniform Network Code	has the meaning given to that term in the Transporter Licence standard special condition A3 (Definitions and Interpretation).

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W

Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.
Writing	includes writing that is sent or received by means of a public electronic communications network within the meaning given to that term in section 151 of the Communications Act 2003, and "Written" should be construed accordingly.

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Condition A2 Interpretation

Introduction

A2.1 The purpose of this condition is to set out provisions of general interpretation for the conditions of this licence.

A2.2 Note that other provisions exist in the terms of this licence.

Part A: General rules of interpretation

A2.3 The provisions of this licence are to be read and understood as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them.

A2.4 Unless the context otherwise requires, any word or expression defined in the Utilities Act 2000, the Gas Act 1986, the Electricity Act 1989, or any of the Energy Acts 2004, 2008, 2010, 2013 and 2023 has the same meaning when used in the conditions of this licence.

A2.5 Unless the context otherwise requires, any reference in the conditions of this licence to an Industry Code, an agreement, or a statement is a reference to that code, agreement, or statement as modified, supplemented, transferred, novated, revised, or replaced from time to time.

A2.6 The heading or title of any section, condition, schedule, paragraph, or sub-paragraph in the conditions of this licence is for convenience only and does not affect the interpretation of the text to which it relates.

A2.7 The “Introduction” of a condition, before Part A, is for convenience only.

A2.8 Unless the context otherwise requires:

(a) any reference in the conditions of this licence to a section, part, condition, schedule or paragraph is a reference to it in the conditions of this licence;

(b) any reference in a condition of this licence to a part or paragraph is a reference to it in that condition; and

(c) any reference in the conditions of this licence to any natural or legal person includes that person’s successors.

A2.9 Any reference in the conditions of this licence to any of the following:
(a) a provision of the conditions of the Electricity System Operator Licence;

(b) a provision of the standard conditions of Gas Transporter Licences;

(c) a provision of the standard special conditions of Gas Transporter Licences (Parts A, B, and D);

(d) a provision of the special conditions of Gas Transporter Licences (Part C);

(e) a provision of the standard conditions of Gas Shipper Licences; or

(f) a provision of the standard conditions of Gas Supplier Licences;

is to be read, if the conditions of this or of any of the other licences are subsequently modified, as a reference (so far as the context permits) to the corresponding provision of the other relevant conditions.

A2.10 References to “the licensee” in this licence are references to the ISOP to whom this licence has been granted, or is to be treated as granted, under section 7AA of the Gas Act 1986.

A2.11 Wherever the subscript ‘t’ is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

A2.12 A positive or negative numerical notation accompanying the letter t in subscript indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before. For example, 't-1' means the year before the Regulatory Year in question.

A2.13 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those conditions.

A2.14 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

A2.15 Any monetary values in these conditions are in sterling in nominal terms unless otherwise indicated.

A2.16 Unless otherwise indicated, the NESO Financial Handbook will make provision for any revenue terms or monetary values which require price indexation and the methodology that should be used for indexation.

Part B: Licensee's performance of obligations

A2.17 Where any obligation in this licence is required to be performed by a specified date or time or within a specified period and the licensee has failed to do so, the obligation will continue to be binding and enforceable after the specified date or time or after the end of the specified period, but without prejudice to all rights and remedies available against the licensee in relation to its failure.

A2.18 The licensee must comply with a direction (and with any conditions to which the direction may be subject) given to it by the Authority or the Secretary of State under any provision of this licence that provides for such direction to be given.

A2.19 Where obligations in this licence provide for specific named documents, reports or assessments of the same name to be produced as under the Electricity System Operator Licence, the licensee must prepare the documents in the same form, manner and submission as the equivalent document in the Electricity System Operator Licence.

A2.20 No provision of this 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.

Part C: Specific application of powers

A2.21 Unless a contrary intention appears, any power of the Authority under any provision of this licence to give a direction, consent, derogation, approval or designation, is a power:

(a) to give it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and

(b) to revoke or amend it (after consulting the licensee) or give it again under that power.

A2.22 Unless a contrary intention appears, any power of the Authority under any provision of this licence to make a determination or a decision is a power:
(a) to make it subject to such terms and conditions as the Authority thinks reasonable in all the circumstances of the case; and (b) to make it again under that power.

A2.23 Any direction, consent, derogation, approval, designation or determination, decision or other instrument given or made by the Authority under this licence will be given or made in Writing.

A2.24 Where these conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, on, or after the date the relevant condition comes into effect.

A2.25 Any reference in a condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence.

Condition A3 Housekeeping licence modifications

Introduction

A3.1. The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.

Part A: Assessment of proposed modification

A3.2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.

A3.3. In making the assessment required by paragraph A3.2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

Part B: Circumstances in which a modification may be made

A3.4. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of the conditions of this licence is a Housekeeping Modification, it may modify the licence by direction to implement the intended modification. Otherwise, any modification will be made under section 23 of the Gas Act 1986 or section 169 of the Energy Act 2023 where appropriate.

A3.5. Before making a direction under paragraph A3.4, the Authority will publish on the Authority's Website: (a) the text of the proposed direction;

(b) the reasons for the proposed direction, including why the Authority believes that it is a Housekeeping Modification; and

(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

A3.6. A direction under paragraph A3.4 will set out:

(a) the modification to the conditions of this licence; and

(b) the date on which it is to have effect or the mechanism by which that date is to be determined.

Section B: Business conduct and independence

Condition B1 Independence Requirements and compliance obligations

Introduction

B1.1. The purpose of this condition is to establish the Independence Requirements and compliance obligations for the licensee, as follows:

(a) Part A sets out the Independence Requirements;

(b) Part B sets out the requirements in relation to Sufficiently Independent Directors;

(c) Part C sets out the obligations related to Operational Services;

(d) Part D sets out the obligations related to Transitional Services;

(e) Part E sets out the requirement for an Independence Statement;

(f) Part F sets out the obligations for the appointment of a Compliance Officer and compliance reporting; and

(g) Part G provides for the licensee to apply for a derogation for relief from its obligations under this condition.

B1.2. The Secretary of State's policy is that the licensee is anticipated to have a high level of operational independence from government.

Part A: Independence Requirements

B1.3. The licensee must put in place and maintain such systems, processes and other governance arrangements that are necessary to maintain its independence from Potential Conflict Parties and must ensure that it does not become a party to any arrangements that compromise, or could reasonably be seen as compromising, that independence. This should include, but not be limited to, arrangements that support the impartiality and integrity of the actions of individual employees.

B1.4. The licensee must use best endeavours to avoid any perceived or real conflicts of interest relating to any Potential Conflict Parties.

B1.5. Paragraphs B1.3 and B1.4 do not exclude the licensee from engaging in partnership projects with Potential Conflict Parties or cooperating with Potential Conflict Parties as required to act consistently with its duties under the Energy Act 2023 and the conditions of this licence.

B1.6. Nothing in this condition will prevent the licensee from being party to or meeting its obligations or exercising its rights under the FSO Day 1 Agreements.

Part B: Requirements for non-executive directors to be Sufficiently Independent Directors

B1.7. Subject to paragraph B1.16, except and to the extent that the Authority consents otherwise, the licensee must ensure that at all times at least half of its non-executive directors are Sufficiently Independent Directors.

B1.8. A Sufficiently Independent Director must:

(a) be a natural person;

(b) in the reasonable opinion of the licensee, have the skills, knowledge, experience, and qualities necessary to perform effectively as a non-executive director of the licensee; and (c) not have any executive duties within the licensee.

B1.9. Except and to the extent that the Authority consents otherwise, a Sufficiently Independent Director must not be, and must not have been during the 12 months before their appointment as a director of the licensee or the coming into force of this condition (whichever is the later):

(a) an employee of the licensee; or

(b) a director or employee of any Potential Conflict Party.

B1.10. Except and to the extent that the Authority consents otherwise, a Sufficiently Independent Director must not:

(a) have held during the 12 months before their appointment as a director or the coming into force of this condition (whichever is the later), currently hold, or enter into any contractual arrangements with the licensee, ISOP Associate or Potential Conflict Party;

(b) hold a position to represent the interests of any ISOP Associate or the interests of any Potential Conflict Party;

(c) receive remuneration from the licensee (apart from a director's fee and reasonable expenses), or from any ISOP Associate or Potential Conflict Party; or

(d) hold any direct shareholdings in any ISOP Associate or Potential Conflict Party, where a reasonable expectation of conflict of interest might arise.

B1.11. For the purposes of paragraph B1.10(c), the receipt or retention of any benefit accrued from prior employment or service with the licensee, any ISOP Associate or Potential Conflict Party will not be considered to be remuneration.

B1.12. The licensee must notify the Authority of the names of its Sufficiently Independent Directors within 14 days from the date this licence comes into effect and must notify the Authority within 14 days from the date of appointment where any new directors are appointed to fulfil the obligation in paragraph B1.16.

B1.13. The terms of appointment of each Sufficiently Independent Director must include a condition stipulating that both the licensee and the appointee must use their best endeavours to ensure that the appointee remains a Sufficiently Independent Director during their

term of office, having particular regard to the requirements set out in paragraphs B1.8, B1.9 and B1.10.

B1.14. A term of appointment for a Sufficiently Independent Director must not be for longer than 8 years, but an individual may be reappointed thereafter provided that they continue to meet the requirements set out in paragraphs B1.8, B1.9 and B1.10.

B1.15. The licensee must notify the Authority in Writing within 14 days if any Sufficiently Independent Director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the licensee) the resignation. For the purposes of this obligation, the reasons for a resignation may, if appropriate, be stated to be personal reasons.

B1.16. If at any time fewer than half of the licensee's non-executive directors are Sufficiently Independent Directors because of a removal or resignation or other reasons (including death or incapacity), the licensee must use its best endeavours to ensure that such new nonexecutive directors are appointed to fulfil the obligation in paragraph B1.7 as soon as is reasonably practicable to bring the number of Sufficiently Independent Directors up to at least half of the licensee's non-executive directors.

Part C: Operational Services

B1.17. The licensee must ensure that at all times it has in place, exercises its rights and performs its obligations under the Operational Services Agreement to have such Operational Services as are needed to enable it to carry out its functions, before the Authority issues to it an OSA Notice.

B1.18. The licensee must as soon as reasonably practicable notify the Authority if it proposes to make any material change to, extend the duration of, or terminate the Operational Services Agreement (in whole or in part).

B1.19. Prior to the licensee exercising any termination right in respect of the Operational Services Agreement, the licensee must first consult with the Authority.

Part D: Transitional Services

B1.20. The licensee must ensure that at all times it has in place, exercises its rights and performs its obligations under the Transitional Services Agreement to have such Transitional Services as are needed to enable it to carry out its functions, before the Authority issues to it a TSA Notice.

B1.21. The licensee must use reasonable endeavours to ensure that it is able to operate without the Transitional Services Agreement by the time that the Transitional Services Agreement is due to expire (with the expiry date for that Transitional Services Agreement being the expiry

date applicable at the time of this licence coming into effect) or as soon as practicable thereafter.

B1.22. The licensee must as soon as reasonably practicable notify the Authority if it proposes to make any material change to, extend the duration of, or terminate the Transitional Services Agreement (in whole or in part).

Part E: Independence Statement

B1.23. By the end of a period of 30 days, beginning with the date on which this condition comes into effect, the licensee must submit to the Authority the Independence Statement, which must set out the systems, processes and other governance arrangements that the licensee has in place to maintain the impartiality and integrity of the actions of its employees and the independence of the licensee.

B1.24. The licensee must , subject to paragraphs B1.26 and B1.27, ensure that the Independence Statement also sets out:

(a) a list of services which fall under the definitions of Transitional Services and Operational Services;

(b) details of the Transitional Services Agreement and Operational Services Agreement under which the Transitional Services and Operational Services are (and will be) provided and an explanation of how they ensure that the licensee is able to meet its Independence Requirements;

(c) how the licensee will meet its Independence Requirements and obligations under this condition in the treatment of Transitional Services and Operational Services, including proposals as to how it intends to operate without the Transitional Services Agreement by the time that agreement expires;

(d) a strategy to transfer to the licensee, or otherwise provide for the long-term outsourcing, of any Transitional Services to services that are not provided by members of National Grid Plc or its Affiliates or Related Undertakings, including:

(i) an approach to transferring Transitional Services to the licensee that ensures economy and efficiency in terms of the combination of cost and quality;

(ii) a clear timeline and milestones to complete transfer to the licensee or outsourcing (without the Transitional Services Agreement) of services comprising Transitional Services, with due regard to the licensee's Independence Requirements; and

(iii) protection of business continuity for the licensee at all times to fully exercise its ISOP Business and comply with its licence obligations and all relevant requirements (having the meaning given to that term in the Gas Act 1986);

(e) how the licensee will meet its Independence Requirements in relation to any work with a Potential Conflict Party to deliver FSO Transition Activities, including with respect to any contractual agreements established in accordance with paragraph F10.2 of condition F10 (ISOP implementation funding) of the Electricity System Operator Licence; and

(f) such other information as reasonably requested by the Authority in relation to the licensee's Independence Requirements and obligations under this condition.

B1.25. A TSA Notice and/or OSA Notice issued by the Authority may also specify that the obligations under paragraph B1.24 will no longer apply.

B1.26. In respect of Transitional Services and the Transitional Services Agreement only, the obligations under paragraph B1.24 will come into effect at the end of a period of 100 days beginning with the date on which this condition comes into effect, at which point the licensee must submit an updated Independence Statement to the Authority.

B1.27. In respect of Operational Services and the Operational Services Agreement only, the obligations under paragraph B1.24 will come into effect at the end of a period of 6 months beginning with the date on which this condition comes into effect or at the end of such other period as directed by the Authority, at which point the licensee must submit an updated Independence Statement to the Authority.

B1.28. Within 28 days of receipt of the Independence Statement, or any revisions to the Independence Statement as provided for in paragraph B1.29(b), the Authority will:

(a) approve the Independence Statement and notify the licensee of such approval; or

(b) give a direction to the licensee that the Independence Statement requires further development and direct the date by which the licensee is required to submit any further revisions to the Authority for approval.

B1.29. Following the Authority's approval of the Independence Statement, the licensee must:

(a) unless the Authority otherwise consents or directs, comply with the terms of the approved Independence Statement; and

(b) review the Independence Statement and revise it as necessary:

(i) at such intervals as the Authority may direct, or at a minimum every 12 months;

(ii) when circumstances change such that the Independence Statement no longer secures compliance with the Independence Requirements and obligations as set out in this condition; and/or

(iii) to ensure that the Independence Statement continues to be complete and accurate in all material respects; and

(c) submit any revisions to this document to the Authority, which will only become effective once the Authority has approved them in accordance with paragraph B1.28(a).

B1.30. The licensee must publish a copy of the Independence Statement, and each revised version on its website within a period of 15 Working Days beginning with the date of its approval by the Authority.

B1.31. The licensee must ensure that it has removed any commercially confidential and/or security related material from the version published on its website under paragraph B1.30.

Part F: Appointment of a Compliance Officer and compliance reporting

B1.32. The licensee must, following consultation with the Authority, appoint a Compliance Officer for the purpose of monitoring and facilitating the licensee's compliance with the Independence Requirements and other obligations under this condition.

B1.33. The licensee must ensure that the Compliance Officer appointed under paragraph B1.32 is the same person appointed under condition B1 (Independence Requirements and compliance obligations) of the Electricity System Operator Licence.

B1.34. The licensee must ensure that the Compliance Officer:

(a) is provided with such staff, premises, equipment, facilities and other resources; and

(b) has such access to the licensee's premises, systems, information and documentation,

as, in each case, the Compliance Officer might reasonably require for the fulfilment of the duties and tasks assigned under this condition.

B1.35. The licensee must ensure that the Compliance Officer is not engaged in the management or operation of any ISOP Affiliate or ISOP Related Undertaking, or of any Potential Conflict Parties.

B1.36. The licensee must ensure that the Compliance Officer is sufficiently independent to carry out the duties and tasks under paragraph B1.38.

B1.37. The licensee must make available to the Compliance Officer the details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the Independence Requirements and other obligations under this condition.

B1.38. The licensee must ensure that the duties and tasks of the Compliance Officer shall include:

(a) providing advice and information to the licensee for the purpose of ensuring the licensee's compliance with the Independence Requirements;

(b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Independence Requirements and obligations under this condition and in the Independence Statement;

(c) advising whether, to the extent that the implementation of such practices, procedures and systems requires the cooperation of any other person, they are designed so as reasonably to secure the required cooperation;

(d) investigating any complaint or representation made available to the Compliance Officer in accordance with paragraph B1.37;

(e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;

(f) providing relevant advice and information to the licensee for the purpose of ensuring its implementation of:

(i) the practices, procedures and systems adopted in accordance with the Independence Statement; and

(ii) any remedial action recommended in accordance with paragraph B1.38(e);

(g) any other duties or tasks that the licensee or the Authority may reasonably require to fulfil compliance with the Independence Requirements and other obligations under this condition; and

(h) reporting annually to the Board once in each Regulatory Year after this condition comes into force as to their activities during the period covered by the report, including the fulfilment of the duties and tasks of the Compliance Officer in paragraphs B1.38(a) to (g).

B1.39. As soon as is reasonably practicable and in any event before the period of 90 days beginning with the date of issue of each annual report of the Compliance Officer under paragraph B1.38(h), the licensee must produce the Compliance Report that sets out the licensee's:

(a) compliance with the Independence Requirements and obligations under this condition during the period since the last Compliance Report; and

(b) implementation of the practices, procedures and systems adopted in accordance with the Independence Statement.

B1.40. The Compliance Report must:

(a) detail the activities of the Compliance Officer during the relevant period covered by the report under paragraph B1.38(h);

(b) report on the impartiality of the licensee's employees and the independence of the licensee, including any perceived or real conflicts of interest with Potential Conflict Parties and the steps taken to mitigate these conflicts;

(c) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems described in the Independence Statement; and

(d) set out the details of any investigations conducted by the Compliance Officer, including:

(i) the number, type and source of the complaints or representations on which such investigations were based;

(ii) the outcome of such investigations; and

(iii) any remedial action taken by the licensee following such investigations.

B1.41. The licensee must, as soon as reasonably practicable, and in any event before the end of the period of 120 days beginning with the issue of each annual report of the Compliance Officer under paragraph B1.38(h), submit to the Authority a copy of the Compliance Report produced in accordance with paragraph B1.39 and publish a copy of it on its website.

Part G: Derogations

B1.42. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition B2 Restriction on activity and financial ringfencing

Introduction

B2.1. The purpose of this condition is to establish the restrictions on activity, shareholdings and other investments of the licensee.

Part A: Restrictions on activity, shares and investments

B2.2. Save as provided by paragraphs B2.3 and B2.4, the licensee must not conduct any business or carry out any activity other than the ISOP Business.

B2.3. The licensee must not own, develop, manage or operate an Electricity Storage Facility, except where the licensee owns or operates an Electricity Storage Facility which is situated on a site on which the licensee carries out its ISOP Business for the purpose of continuity of supply and System Resilience, or energy management and the Electricity Storage Facility is not used to buy or sell electricity in the Electricity Markets.

B2.4. The licensee must not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:

(a) shares or other investments in a body corporate, the sole activity of which is to carry out aspects of the ISOP Business that the

licensee has delegated to that body (with the approval of the Authority);

(b) shares or other investments in a body corporate which is a Subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for any purpose related to the ISOP Business; or

(c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with the Independence Requirements and best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the Financial Conduct Authority (or a successor body) from time to time for listed companies in the United Kingdom.

B2.5. Subject to the provisions of paragraph B2.4, nothing in this condition prevents:

(a) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence; or

(b) the licensee from performing the supervisory or management functions of a Holding Company in respect of any Subsidiary.

Condition B3 Conduct of ISOP Business

Introduction

B3.1. The purpose of this condition is to establish the licensee's obligations in respect of the conduct of its ISOP Business relating to discriminatory and preferential behaviour.

Part A: Licensee's conduct of its ISOP Business

B3.2. The licensee must conduct its ISOP Business in the manner best calculated to secure that none of: (a) the licensee;

(b) any ISOP Affiliate or ISOP Related Undertaking;

(c) any Gas Shipper or Gas Supplier;

(d) any Gas Transporter, including any DN Operator;

(e) any user of the National Electricity Transmission System;

(f) any Licensed Distributor; or (g) any Transmission Licensee, obtains an unfair commercial advantage including any advantage from a preferential or discriminatory arrangement.

B3.3. The licensee must manage and deliver its ISOP Business in a way best calculated to ensure that the licensee does not unduly

restrict, prevent or distort competition in: (a) the supply of electricity or gas;

(b) the shipping of gas;

(c) the generation of electricity;

(d) the production of gas;

(e) electricity transmission;

(f) electricity distribution;

(g) gas transportation;

(h) any Fuel Trading Business; or

(i) the supply of Meter-Related Services or of Meter Reading Services.

Part B: Licensee's records of compliance

B3.4. The licensee must keep and maintain such records concerning its compliance with this condition that the Authority considers are sufficient to enable it to assess whether the licensee is complying with this condition.

B3.5. The licensee must provide to the Authority such records under paragraph B3.4 in such form and manner and at such times as the Authority may require.

Condition B4 Compliance with directions related to national security

Introduction

B4.1. The purpose of this condition is to require the licensee to comply with directions issued by the Secretary of State in connection with risks relating to national security.

B4.2. This condition also relieves the licensee of obligations under this licence where and to the extent that they conflict with a direction issued under this condition.

Part A: National security directions

B4.3. The licensee must comply with any direction that has been issued or amended by the Secretary of State in accordance with paragraph B4.4.

B4.4. The Secretary of State may issue a direction under this paragraph where in the opinion of the Secretary of State:

(a) there is a risk relating to national security that may detrimentally impact:

(i) the resilience, safety or security of the energy system; or

(ii) the continuity of essential services, and

(b) it is in the interest of national security that a direction should be issued to the licensee.

B4.5. A direction under paragraph B4.4 may require the licensee to:
(a) take actions or refrain from taking actions as specified in the direction; and/or
(b) provide information specified in the direction to the Secretary of State.

B4.6. The Secretary of State may amend or revoke any direction issued to the licensee under this condition.

B4.7. The licensee is not required to comply with any obligation in this licence (or the Electricity System Operator Licence), where and to the extent that compliance with that obligation would be inconsistent with the requirement to comply with a direction issued in accordance with paragraph B4.4, for the period set out in the direction.

B4.8. The licensee must inform the Secretary of State of any conflict identified in paragraph B4.7 as soon as reasonably practicable after the conflict is identified.

Condition B5 Prohibition of cross-subsidies

Introduction

B5.1. The purpose of this condition is to establish restrictions on the provision and receipt of cross-subsidies given by or to the licensee.

Part A: Restrictions on cross-subsidies

B5.2. The licensee must not give any cross-subsidy to, or receive any cross-subsidy from, an ISOP Affiliate or ISOP Related Undertaking.

Condition B6 Information ringfencing obligations

Introduction

B6.1. The purpose of this condition is to ensure that the licensee appropriately manages and secures confidential data and information that relates to the licensee’s performance of its functions.

Part A: Licensee's information ringfencing obligations

B6.2. The licensee must identify any confidential data and information it holds related to the performance of its functions that in its opinion should not be disclosed or otherwise be accessible to persons other than the licensee’s employees, agents, contractors and advisors (other than as set out in paragraph B6.77) due to the adverse impact such disclosure or access may give rise to.

B6.3. Confidential data and information under paragraph B6.2 includes but is not limited to:
(a) data and information related to national security and to the delivery of the obligations under condition C5 (Licensee's obligations regarding critical national infrastructure) and condition C6 (Energy resilience and resilience reporting); and (b) data and information that is market sensitive.

B6.4. Unless the Authority otherwise consents, the licensee must ensure that appropriate protections are in place to secure that any data and information identified under paragraph B6.2 is appropriately protected from being directly or indirectly disclosed to, solicited or used by any person who is involved in delivery of Operational Services and/or Transitional Services.

B6.5. Subject to paragraph B6.7, the licensee must ensure that appropriate protections are in place to secure that any data and information identified under paragraph B6.2 is appropriately protected from being directly or indirectly disclosed to, solicited or used by any person who:
(a) is not required to have access to that confidential data and confidential information; or
(b) is delivering FSO Transition Activities as part of bilateral agreements between the licensee and:
(i) National Gas Transmission plc; or
(ii) National Grid Plc or its Affiliates or Related Undertakings.

B6.6. Subject to paragraph B6.7, the licensee must ensure that appropriate protections are in place to secure that any confidential data and information identified under paragraph B6.2 is appropriately protected from being directly or indirectly disclosed to, solicited or used by any Potential Conflict Party or persons engaged in the management or operation of any Potential Conflict Party.

B6.7.

Paragraphs B6. 5 and B6.6 do not apply to the disclosure or access of confidential data and information identified under paragraph B6.2:
(a) where the licensee is specifically required to do so under a condition of this licence;
(b) to National Gas Transmission plc where such disclosure is required by it for purposes connected with the carrying out of NTS System Operation Activity (as authorised by the Transporter Licence granted or treated as granted to National Gas Transmission plc under the Gas Act 1986);
(c) where required or permitted under an Industry Code;
(d) where required by or under any statute, enactment or provision of subordinate legislation, or the rules of any governmental or regulatory authority having jurisdiction over the licensee, or for the purposes of facilitating the performance of any functions of the Secretary of State or the Authority (for the avoidance of

doubt, this includes the functions of the Secretary of State or their advisors in their role as the shareholder of the licensee);

(e) where the licensee has obtained prior written consent from the provider of the information for such disclosure, provided that the extent of such disclosure is consistent with the consent obtained; or

(f) where authorised in advance in Writing by the Authority.

B6.8. The licensee must maintain a code of conduct governing the identification, disclosure and use of confidential data and information identified under paragraph B6.2, and how the licensee ensures:

(a) compliance with its obligations under paragraphs B6.5 and B6.6; and

(b) appropriate protections are in place to limit the disclosure of the information related to the delivery of the obligations in Part A and Part B of condition C6 (Energy resilience and resilience reporting) to persons not involved in the delivery of those obligations to where such disclosure is necessary:

(i) for the performance of such obligations;

(ii) to implement mitigations and remediations identified under Part A of condition C6; or

(iii) at the conclusion of any analysis or assessment under Part B of condition C6.

Section C: Strategic and operational functions

Condition C1 General obligations on ISOP's activities

Introduction

C1.1. The purpose of this condition is to set out general principles the licensee must follow and general minimum outcomes the licensee must seek to achieve through the delivery of its activities.

C1.2. These requirements are grouped into the following areas:

(a) in Part A, energy system efficiency and resilience;

(b) in Part B, wholesale market arrangements, codes and charging;

(c) in Part C, energy system planning and connections; and (d) in Part D, cross-cutting requirements.

C1.3. These general requirements are intended to support and align with the more specific, detailed requirements contained in other parts of this licence.

C1.4. This condition also establishes the NESO Licence Expectations Document, which is a document that may provide guidance on the requirements contained within this condition, as set out in Part E.

C1.5. The condition also sets requirements on the licensee in relation to the provision of a Remediation Plan as set out in Part F.

Part A: Energy system efficiency and resilience

C1.6. The licensee must promote the enduring security and resilience of the energy system, including by seeking to take a leading role in coordinating resilience activities across the energy system.

C1.7. The licensee must promote coordination between energy system developments in Great Britain and those in interconnected electricity and gas systems, including through effective engagement with interconnected system operators and impacted stakeholders in Great Britain.

C1.8. The licensee must seek to facilitate the digitalisation required in the energy sector to enable a secure and efficient Zero Carbon Energy System.

C1.9. The licensee must produce and publish accurate and unbiased energy system forecasts that create overall value for consumers and stakeholders.

Part B: Wholesale market arrangements, codes and charging

C1.10. The licensee must engage with industry stakeholders, the Authority, and government to promote the development of energy wholesale market arrangements that facilitate a secure, efficient and economical Zero Carbon Energy System.

Part C: Energy system planning and connections

C1.11. The licensee must effectively engage with industry stakeholders, the Authority, and government to ensure that its frameworks and procedures for planning the development of the whole energy system are transparent, coordinated and support the timely, secure, efficient and economical transition to a Zero Carbon Energy System.

Part D: Cross-cutting requirements

C1.12. The licensee must ensure that through the delivery of its activities it carries out effective engagement with stakeholders on issues, recommendations or decisions which materially impact those stakeholders or energy sector outcomes.

C1.13. The licensee must take all reasonable steps to clearly explain the reasons underpinning its decisions or recommendations and to provide a level of detail in its stated rationale that is proportionate to the impact those decisions or recommendations have on stakeholders and the energy sector.

C1.14. The licensee must put in place effective processes and governance for the purpose of ensuring that any information or data it publishes or provides to the Authority or government is accurate and that any analysis does not contain errors.

C1.15. The licensee must use reasonable endeavours to ensure that any published information or data is clear and easily accessible to the users of that information.

C1.16. The licensee must use reasonable endeavours to ensure that any externally used information technology platforms that it is responsible for are introduced and maintained in a manner that does not create unnecessary costs or disruption for energy system users

Part E: NESO Licence Expectations Document

C1.17. The Authority may issue, and from time-to-time revise, the NESO Licence Expectations Document which is a document that applies guidance on the requirements in Parts A to D of this condition.

C1.18. The licensee must have regard to the NESO Licence Expectations Document and must be able to demonstrate such regard when complying with the provisions of Parts A to F of this condition.

C1.19. The Authority will issue and amend the NESO Licence Expectations Document under this condition by direction.

C1.20. The Authority will publish the NESO Licence Expectations Document issued or amended under this condition on the Authority's Website.

C1.21. Before issuing the new or amended NESO Licence Expectations Document pursuant to paragraph C1. 19, the Authority will publish on the Authority’s Website:

(a) the text of the proposed or amended guidance;

(b) the date on which the Authority intends the guidance to come

into effect;

(c) the reasons for the new or amended guidance; and

(d) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.

Part F: Notice of Remediation

C1.22. The Authority may issue a direction to the licensee (which for the purpose of this condition will be referred to as a Notice of Remediation) to produce a Remediation Plan.

C1.23. A Notice of Remediation would be issued where the Authority considers the licensee needs to provide greater transparency and confidence on the actions and steps it is taking to ensure continued compliance with the obligations in this licence or to remedy any perceived performance concerns.

C1.24. A Notice of Remediation will specify:

(a) The issue(s) that the Authority considers the licensee must seek to address;

(b) The licence condition(s) relevant to the issue(s);

(c) The information the licensee must provide within a Remediation Plan;

(d) The timeframes for producing and submitting the Remediation Plan to the Authority; and

(e) Any other requirements related to the Remediation Plan, including but not limited to any publication requirements.

C1.25. On receipt of a Notice of Remediation the licensee must produce a Remediation Plan which complies with the requirements set out in the Notice of Remediation.

Condition C2 Licensee's regard to Strategy and Policy Statement

Introduction

C2.1. The purpose of this condition is for the licensee to carry out its functions and act in accordance with obligations set out in respect of the Strategy and Policy Statement.

Part A: Strategy and Policy Statement

C2.2. The licensee must explain in its Business Plan how it plans to carry out its functions in a way that has regard to the strategic priorities set out in the Strategy and Policy Statement pursuant to section 165 of the Energy Act 2023.

C2.3. Where requested by the Authority, the licensee must demonstrate how it has had regard to the strategic priorities set out in the Strategy and Policy Statement in respect of a specific activity or function carried out, in such form and manner and at such times as requested by the Authority.

Condition C3 Digitalisation

Introduction

C3.1. The purpose of this condition is to set out the licensee's obligations to:

(a) in Part A, have and update a Digitalisation Strategy;

(b) in Part B, have and update a Digitalisation Action Plan;

(c) in Part C, comply with the DSAP Guidance; and

(d) in Part D, comply with Data Best Practice Guidance.

C3.2. This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

C3.3. The licensee must have in place a Digitalisation Strategy.

C3.4. The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at the intervals specified in the DSAP Guidance.

C3.5. The licensee must:

(a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;

(b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and

(c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

C3.6. The licensee must have in place its Digitalisation Action Plan.

C3.7. The licensee must review the progress it has made against its Digitalisation Action Plan and update its Digitalisation Action Plan at the intervals specified in the DSAP Guidance.

C3.8. The licensee must:

(a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;

(b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and

(c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance

C3.9. The licensee must comply with the DSAP Guidance when: (a) preparing and updating its Digitalisation Strategy; and (b) preparing and updating its Digitalisation Action Plan.

C3.10. The Authority will issue and amend the DSAP Guidance by direction.

C3.11. The Authority will publish the DSAP Guidance on the Authority's Website.

C3.12. The DSAP Guidance will make provision about:

(a) how the licensee should work towards Digitalisation;

(b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan, how it intends to use Energy System Data to generate benefits for consumers and stakeholders, and the specific actions it will take to achieve that outcome;

(c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:

(i) their respective structure, content and level of detail;

(ii) the types of activities that should be covered in each; and

(iii) any required information associated with those activities; and

(d) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ Data Best Practice

C3.13. The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.

C3.14. The Authority will issue and amend Data Best Practice Guidance by direction.

C3.15. The Authority will publish Data Best Practice Guidance on the Authority's Website.

C3.16. The Data Best Practice Guidance may make provision as to how the Authority expects the licensee to comply with Data Best Practice to generate benefits for consumers and stakeholders, including ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

C3.17. Before issuing new or amending the DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

(a) the text of the proposed DSAP Guidance;

(b) the date on which the Authority intends the proposed DSAP Guidance to come into effect;

(c) the reasons for the new issue of, or amendments to, the DSAP Guidance; and

(d) a period during which representations may be made on the content of the DSAP Guidance, which will not be less than 28 days.

Condition C4 Licensee's assessment of gas supply security

Introduction

C4.1. The purpose of this condition is to set out the obligations on the licensee to produce its Gas Supply Security Assessment.

Part A: Gas Supply Security Assessment

C4.2. The licensee must provide a Gas Supply Security Assessment to the Authority and to the Secretary of State by 31 October 2025, and by 31 October in each subsequent Regulatory Year.

C4.3. The licensee must ensure the Gas Supply Security Assessment includes:

(a) consideration of gas supplies according to availability, reliability and deliverability at 5 years' and 10-years' time from the date the assessment is due to the Authority under paragraph C4.2; and gas supplies judged against future scenarios and a peak aggregate demand scenario (based on 1-in-20 year analysis) at 5 years' and 10 years' time from the date assessment is due;

(b) events and issues related to gas supplies identified by the licensee that may, over 5 years' and 10 years' time from the date the assessment is due, impact:

(i) the conveyance or supply of gas; or

(ii) the safety and security of the National Transmission System;

(c) advice on any mitigations and remediations that the licensee has identified that may prevent or protect against events and issues identified under paragraph C4.3(b);

(d) where necessary, how the licensee has employed, or its assessment of, any relevant methodologies in relation to gas supply security issued to the licensee by the Secretary of State;

(e) any view, as appropriate, on long-term arrangements that may impact the licensee's consideration of gas supplies and gas supply security under paragraph C4.3(a); and

(f) any such data or information related to gas supply security that the Authority or Secretary of State may request.

C4.4. The licensee must consult with:
(a) the Authority;
(b) the Secretary of State; and
(c) any other parties it deems appropriate,
on its Gas Supply Security Assessment before providing it to the Authority and Secretary of State under paragraph C4.2.

C4.5. The licensee must, as soon as is reasonably practicable after the provision of the Gas Supply Security Assessment to the Authority and the Secretary of State, publish a version of the Gas Supply Security Assessment on its website.

Condition C5 Licensee's obligations regarding critical national infrastructure

Introduction

C5.1. The purpose of this condition is to ensure the licensee supports the identification of critical national infrastructure and reviews and applies methodologies following a request from the Secretary of State.

Part A: Reviewing critical national infrastructure

C5.2. Where the Secretary of State requests the licensee to review any methodology that aims to identify critical national infrastructure (as defined by the Secretary of State in such a request), the licensee must give a reasoned opinion and comment as to whether the application of the methodology would facilitate the identification of gas and electricity sites, systems and assets that are critical national infrastructure existing in:
(a) the National Electricity Transmission System;
(b) Distribution Systems;
(c) the National Transmission System;
(d) Distribution Networks;
(e) Gas Interconnectors and Electricity Interconnectors;
(f) Generation Sets; and
(g) any other part of the whole energy system that the licensee considers would be appropriate to provide reasoned opinion and comment.

C5.3. The licensee must propose any revisions to any methodology provided under paragraph C5.2 that in the licensee’s opinion will better facilitate the identification of sites, systems and assets that are critical national infrastructure by such date as the Secretary of State may request.

Part B: Critical national infrastructure assessments and application of methodologies

C5.4. The licensee must, when the Secretary of State requests, apply any methodology provided under paragraph C5.2 to identify gas and electricity sites and assets of critical national infrastructure across:
(a) the National Electricity Transmission System;
(b) Distribution Systems;
(c) the National Transmission System;
(d) Distribution Networks;
(e) Gas Interconnectors and Electricity Interconnectors;
(f) Generation Sets; and
(g) any other part of the whole energy system that the licensee considers would be appropriate to include.

Condition C6 Energy resilience and resilience reporting

Introduction

C6.1. The purpose of this condition is to set out the licensee's obligations related to:
(a) in Part A, energy risk and threat advice;
(b) in Part B, post-event and post-emergency analysis;
(c) in Part C, the licensee's Energy Resilience Assessment Report;
(d) in Part D, the licensee's Emergency Processes Assessment;
(e) in Part E, the licensee's Industry Readiness and Preparedness Report;
(f) in Part F, the provision of reports and confidential information; and
(g) Part G of this condition relates to derogations.

Part A: Energy risk and threat advice

C6.2. The licensee must provide to the Authority and Secretary of State information and analysis on any risk or threat that the licensee has identified, where such a risk or threat may, in the licensee’s view, compromise or detrimentally impact the safety, security or resilience of any significant part of the whole energy system.

C6.3. The licensee must advise the Authority and the Secretary of State on any mitigations and remediations the licensee considers could be applied to:
(a) improve whole energy system resilience; or
(b) manage risks or threats identified in accordance with paragraph C6.2, including any advice on products, services and regulatory changes.

C6.4. The licensee must engage with the stakeholders which it determines to be relevant to the identification and/or mitigation of risks or threats in paragraphs C6.2 and C6.3 to the extent required.

Part B: Post-event and post-emergency analysis

C6.5. The licensee must, when requested by the Authority or the Secretary of State, provide post-event analysis and assessment in relation to an event or an emergency that has detrimentally impacted, or could have detrimentally impacted, the licensee, gas and electricity consumers, or any licensed party operating across the National Transmission System, the National Electricity Transmission System, Distribution Network, Distribution Systems, Gas Interconnectors, Electricity Interconnectors, Electricity Generators, and embedded generators.

C6.6. The licensee may also carry out and provide to the Authority or Secretary of State the analysis and assessments referred to in paragraph C6.5, in the absence of a request from the Authority or the Secretary of State, where the licensee considers this would be beneficial for the resilience of the energy system.

C6.7. The licensee must have regard to any views shared by the Authority on the situations in which a review under C6.6 would be appropriate, and it must notify the Authority and Secretary of State of any decision to undertake such a review.

C6.8. The licensee must engage with the stakeholders which it determines to be relevant to the analysis and assessment carried out under paragraphs C6.5 and C6.6 to the extent required.

Part C: Energy Resilience Assessment Report

C6.9. The licensee must provide an Energy Resilience Assessment Report to the Authority and to the Secretary of State by 30 June of each Regulatory Year.

C6.10. The licensee must ensure the Energy Resilience Assessment Report includes:

(a) the licensee's view on emerging risks and threats:

(i) within 5 years;

(ii) in 5-10 years' time; and

(iii) beyond 10 years,

in relation to the National Electricity Transmission System, National Transmission System, Distribution Systems, Distribution Networks, Gas Interconnectors, Electricity Interconnectors, Electricity Generators and any other part of the whole energy system relating to electricity and/or gas that the Secretary of State may request;

(b) an assessment by the licensee of the likelihood and potential impact of risks and threats identified by the licensee under paragraph C6.10 (a);

(c) any advice on mitigations that the licensee views would limit and address the impact of risks and threats identified under paragraph C6.10 (a); and

(d) updates on actions, recommendations and/or mitigations it has included within previous Energy Resilience Assessment reports.

C6.11. The licensee must engage with relevant gas and electricity stakeholders, Gas Transporters, Distribution Networks, Transmission Owners, Licensed Distributors, Gas Interconnectors, Electricity Interconnectors, Electricity Generators and the Secretary of State when producing the Energy Resilience Assessment Report.

Part D: Emergency Processes Assessment

C6.12. The licensee must provide its Emergency Processes Assessment, and any accompanying information and analysis that the licensee considers it appropriate to provide, to the Authority, the Secretary of State and such other parties the licensee considers materially affected by the issues contained in the Emergency Processes Assessment by 1 December of each Regulatory Year.

C6.13. The licensee must ensure its Emergency Processes Assessment outlines:

(a) the licensee's assessment of scenarios and view on best practice for emergency processes and preparedness;

(b) any of the licensee's recommended improvements and learnings, including on the prevention of emergencies; and

(c) updates on actions, recommendations and/or mitigations it has included within previous Emergency Processes Assessments. across the gas and electricity networks covering the National Transmission System, the National Electricity Transmission System,

Distribution Networks, Distribution Systems, Gas Interconnectors, Electricity Interconnectors, Electricity Generators and any other part of the whole energy system relating to electricity and/or gas that the Secretary of State may request.

C6.14. The licensee must engage with the Authority and the Secretary of State prior to determining the scenarios within the Emergency Processes Assessment to understand and consider the Authority and Secretary of State's views on the appropriate scenarios.

C6.15. The licensee must engage with relevant gas and electricity stakeholders, including Gas Transporters, Distribution Networks, Transmission Owners, Licensed Distributors, Electricity Generators, Gas Interconnectors, Electricity Interconnectors, the Secretary of State and such other parties that the licensee considers materially affected by the issues in paragraphs C6.13 (a) and C6.13 (b) when producing the Emergency Processes Assessment.

Part E: Industry Readiness and Preparedness Report

C6.16. The licensee, in respect of the following winter and summer seasons respectively, must provide its Industry Readiness and Preparedness Report to the Authority, Secretary of State and such other parties the licensee considers materially affected by the issues contained in the Industry Readiness and Preparedness Report by 31 October and 30 April of each Regulatory Year.

C6.17. The licensee must ensure its Industry Readiness and Preparedness Report outlines its assessment of the preparedness and seasonal readiness for incidents and emergencies occurring on (and including assessing persons that operate or are connected to): (a) the National Electricity Transmission System;

(b) Distribution Systems;

(c) the National Transmission System;

(d) Gas Interconnectors and Electricity Interconnectors;

(e) Distribution Networks;

(f) Electricity Generators and

(g) any other part of the whole energy system relating to electricity and/or gas that the Secretary of State may request,

in respect of the winter and summer seasons that follow the dates the licensee provides its Industry Readiness and Preparedness Report under paragraph C6.14.

Part F: Provision of reports and confidential information

C6.18. Where the licensee provides the reports and assessments under Parts A, B, C, D and E to the Authority, the Secretary of State and to materially affected parties, the licensee must have due regard to the confidential data and confidential information contained in the reports and assessments, and must seek to ensure that such data or information is not inappropriately disclosed to materially affected parties.

C6.19. The licensee must seek the Authority's approval, prior to sharing, to provide appropriately redacted versions of the reports and assessments under Parts A, B, C, D and E to materially affected parties.

Part G: Derogations

C6.20. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, and subject to such conditions, as may be specified by the Authority by direction.

Condition C7 Arrangements in coordinating market strategy

Introduction

C7.1. The purpose of this condition is to set out the licensee's obligations to support the progression and development of energy markets.

Part A: Future Market Plan on gas arrangements

C7.2. The licensee must use reasonable endeavours to produce, in cooperation with Relevant Gas Market Participants, a Future Market Plan at least once in every 2 Regulatory Years, which sets out actions, projects and plans to facilitate the transition of the gas market to a decarbonised energy system, and assesses the required transition of the market and industry arrangements for gas against potential future scenarios.

C7.3. The licensee must use reasonable endeavours to ensure that the Future Market Plan contains:

(a) a description of projects and plans (referred to in paragraph C7.2) that the licensee and other Relevant Gas Market Participants intend to progress;

(b) an initial view of which parties are best placed to deliver projects and plans referred to in paragraph C7.3(a), whether the licensee, any Relevant Gas Market Participant or any third party; and

(c) where applicable, a summary of the progress on actions, projects, engagements, issues and plans set out in the most recent Future Market Plan.

Part B: Engagement with Relevant Gas Market Participants

C7.4. The licensee must use reasonable endeavours to engage and consult with Relevant Gas Market Participants in the development of the Future Market Plan, including:

(a) within 90 days of this condition coming into effect, establishing a group for engagement, to include Relevant Gas Market Participants, to contribute insights, expertise and information to develop the Future Market Plan; and

(b) coordinating and periodically holding meetings of a forum with the group established under paragraph C7.4(a) to propose and develop projects and plans to progress the Future Market Plan.

Condition C8 Gas strategic network planning

Introduction

C8.1. The purpose of this condition is to set out the licensee's obligations in relation to performing its gas strategic network planning functions.

Part A: Gas assessment obligations

C8.2. The licensee must take such steps it considers may be necessary to enable, and facilitate any improvements to, gas strategic network planning.

C8.3. When producing the Gas Network Capability Needs Report and Gas Options Advice Document under Part B and Part C respectively, the licensee must act in a manner best calculated to ensure transparency, subject to any requirements not to disclose information.

Part B: Gas Network Capability Needs Report

C8.4. The licensee must prepare a Gas Network Capability Needs Report that sets out the licensee's view of the physical capability of, and system needs for, the National Transmission System, ensuring that the information and system needs, contained within a Gas Network Capability Needs Report, are:

(a) reached in accordance with the licensee's duties under sections 163, 164 and 165 of the Energy Act 2023; and

(b) capable of being applied for the purpose of identifying and proposing options that respond to such system needs, where such options are to be evaluated in the Gas Options Advice Document.

C8.5. The licensee must prepare the Gas Network Capability Needs Report and provide it to the Authority and to the NTS System Operator by 31 December in the Regulatory Year commencing on 1 April 2024 and every second Regulatory Year thereafter or such other date as directed by the Authority in a form approved by the Authority.

C8.6. The licensee must include in its provision to the Authority under paragraph C8.5, a summary of:

(a) any engagement with interested parties in the development of the Gas Network Capability Needs Report; and

(b) any views or information provided by interested parties and an explanation of how these were taken into account in the development of the Gas Network Capability Needs Report.

C8.7. The Gas Network Capability Needs Report must also include in relation to the National Transmission System:

(a) flow forecasts on a nodal or zonal basis, in accordance with the Future Energy Pathways prepared by the licensee under condition C10 (Future Energy Pathways) to model the long-term development of the National Transmission System and its needs under different Future Energy Pathways;

(b) the level of physical capability by node or zone;

(c) a description of the data used by the licensee to model each of the Future Energy Pathways;

(d) the level of capability that in the licensee's opinion can be economically and efficiently delivered using the tools available to the NTS System Operator on a nodal or zonal basis;

(e) an explanation of the methodologies and processes applied for determining physical capability, including:

(i) narrative explanation on the application of the methodology for determining physical capability of the National Transmission System;

(ii) planning assumptions employed related to modelling supply and demand, in accordance with the Future Energy Pathways prepared by the licensee under condition C10;

(iii) how the licensee has had regard to the Statutory Network Security Standard; and

(iv) any other assumptions related to non-supply and demand factor analysis applied by the licensee;

(f) an explanation of the changes to the level of physical capability resulting from confirmed changes to the installed operational assets;

(g) a view of the required level of physical capability in 5 years' and 10 years' time from the date of publication;

(h) a view of the required level of physical capability beyond a 10year period to 2050; and

(i) any further information that the licensee considers is appropriate to include in Gas Network Capability Needs Report, including any relevant outputs of the Gas Supply Security Assessment produced in accordance with Part A of condition C4 (Licensee's assessment of gas supply security).

C8.8. The licensee must use best endeavours to ensure that the information produced in the Gas Network Capability Needs Report is capable of being applied for the purpose of identifying and proposing options that respond to the system needs identified in the Gas Network Capability Needs Report.

C8.9. The licensee must publish its Gas Network Capability Needs Report by 31 December in the Regulatory Year commencing on 1 April 2024 and every second Regulatory Year thereafter or such other date as directed by the Authority in a form approved by the Authority, on its website in a readily accessible form and manner.

C8.10. When publishing the Gas Network Capability Needs Report under paragraph C8.9, the licensee must have due regard to the need for excluding any information that may seriously and prejudicially affect the commercial interests of the owner of that information (or any third parties that provided that information to the owner of that information)

if published or might be expected to be incompatible with any legislation, rule of law or licence condition, and must seek the Authority's approval prior to publishing a redacted version of the report.

Part C: Gas Options Advice Document

C8.11. The licensee must provide a Gas Options Advice Document to the Authority and to the NTS System Operator by 31 December 2025, and by 31 December in every 2 subsequent Regulatory Years.

C8.12. The Gas Options Advice Document must set out as far as is reasonably practicable:

(a) the licensee's view of the drivers for change to the National Transmission System, which are reached in accordance with the licensee's duties under sections 163, 164 and 165 of the Energy Act 2023, and which consider:

(i) the Statutory Network Security Standard;

(ii) customer needs for gas supply and demand;

(iii) deliverability and social impact; and

(iv) the Entry Capacity release obligations and Exit Capacity release obligations in accordance with special condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) of National Gas Transmission plc's Transporter Licence;

(b) the licensee's best view of the options for the National Transmission System that could meet the needs and requirements identified in the Gas Network Capability Needs Report, which may include options:

(i) provided in response to the needs previously identified in the Gas Network Capability Needs Report, including any options provided by the NTS System Operator;

(ii) that do not involve, or involve minimal, construction, expansion, reinforcement or replacement;

(iii) that relate to the rules, codes, and legislation that underpin the regulatory framework or operation of pipeline systems; and

(iv) that relate to the practices, services and commercial arrangements within the energy market;

(c) the licensee's view of the relative suitability of each option or combination of options set out under paragraph C8.12(b), including an explanation of their suitability in respect of the drivers for change identified under paragraph C8.12(a);

(d) the licensee's recommendations on which, if any, option set out in accordance with paragraph C8.12(b) should be developed further, consistent with the licensee's duties under sections 163,

164 and 165 of the Energy Act 2023 and the drivers for change identified under paragraph C8.12(a);

(e) any changes to licensee's view on the physical capability of the National Transmission System since the provision of its most recent Gas Network Capability Needs Report, including any changes that have significantly impacted the licensee's view of options under paragraph C8.12(b);

(f) any system needs set out in its most recent Gas Network Capability Needs Report that may have significantly changed, with an explanation of the differences and associated implications on the licensee's view of options provided under paragraph C8.12(b) and recommendations under paragraph C8.12(d);

(g) how the licensee has considered other arrangements or agreements with parties in respect of developing the National Transmission System, including any Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity; and

(h) a summary of how the licensee has engaged with the NTS System Operator (and any other relevant parties) on the information produced in the Gas Options Advice Document and any views or representations from this engagement.

C8.13. The licensee's view of options under paragraph C8.12(b) must include the licensee's assessment of the impact of different options on the National Transmission System, and cost benefit analysis of options where such an analysis can be carried out and will assist in determining suitability of options.

C8.14. The licensee must include in its summary under paragraph C8.12(h) any material differences between the licensee's views and the views of the NTS System Operator, providing an explanation of the difference and any associated implications.

C8.15. The licensee must publish its Gas Options Advice Document by 31 December 2025, and by 31 December in every 2 subsequent Regulatory Years, on its website in a readily accessible form and manner.

C8.16. When publishing the document under paragraph C8.15, the licensee must have due regard to the need for excluding any information that may seriously and prejudicially affect the commercial interests of the owner of that information (or any third parties that provided that information to the owner of that information) if published or might be expected to be incompatible with any legislation, rule of law or licence condition, and must seek the Authority's approval prior to publishing a redacted version of the document.

Part D: Derogations

C8.17. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition C9 Gas Network Innovation Strategy

Introduction

C9.1. The purpose of this condition is to oblige the licensee to work with other parties to develop a Gas Network Innovation Strategy.

C9.2. This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Gas Network Innovation Strategy.

Part A: Requirement to create and maintain a Gas Network Innovation Strategy

C9.3. The licensee must develop and maintain a Gas Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of the Gas Network Innovation Strategy.

C9.4. The licensee must use reasonable endeavours to work with all other Relevant Network Licensees to ensure that the Gas Network Innovation Strategy is reviewed every 2 years and where necessary, in the majority view of the Relevant Network Licensees, is updated.

Part B: Gas Network Innovation Strategy

C9.5. The Gas Network Innovation Strategy must:

(a) set out the procedures for updating it (which must include the requirement to consult with Network Innovation Interested Parties in accordance with Part C below and the biennial review referred to in paragraph C9.4);

(b) be updated in accordance with the procedures referred to in paragraph C9.5(a); and

(c) be readily accessible to the public from the licensee's website.

C9.6. The Gas Network Innovation Strategy must include:

(a) a description of the challenges and uncertainties which the Relevant Network Licensees consider are pertinent to the gas network over different time periods that could be addressed through innovative projects;

(b) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in order to address the challenges referred to in paragraph C9.6(a), with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the Gas Network Innovation Strategy will help to address those challenges;

(c) a description of the challenges which the Relevant Network Licensees consider are pertinent to the gas network over different time periods and which are not currently being addressed through projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Network Innovation Interested Parties;

(d) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in relation to the challenges identified in paragraph C9.6(c) of this condition, with particular regard to how future Innovation Projects, which Relevant Network Licensees will seek to initiate over the period of the Gas Network Innovation Strategy, will help to address those challenges. Consideration should be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to any challenge identified in paragraph C9.6(c), a reason should be provided as part of this description;

(e) a description of how Relevant Network Licensees will coordinate their activities on Innovation Projects to minimise unnecessary duplication of effort;

(f) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects; and

(g) any directions related to the Gas Network Innovation Strategy issued by the Authority.

Part C: Consultation

C9.7. The licensee must, in cooperation with the Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Network Innovation Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Gas Network Innovation Strategy. This includes stakeholders in the following sectors: (a) electricity;

(b) gas (including natural gas and hydrogen);

(c) heat;

(d) refuse;

(e) telecoms;

(f) transport;

(g) carbon storage; and

(h) water and wastewater.

C9.8. The licensee must include in the Gas Network Innovation Strategy:

(a) a description of the Network Innovation Interested Parties and the stakeholders referred to in paragraph C9.7, with whom it has consulted; and

(b) its analysis of any representations relevant to the requirements set out in paragraph C9.6, received in response to the consultation.

Condition C10 Future Energy Pathways

Introduction

C10.1. The purpose of this condition is to set out the obligations of the licensee to develop Future Energy Pathways and the Future Energy Pathways Methodology, including setting out:

(a) in Part A, the requirement to create Future Energy Pathways;

(b) in Part B, the creation of the Future Energy Pathways Guidance for developing the Future Energy Pathways;

(c) in Part C, the process for the issuance and amendment of the Future Energy Pathways Guidance;

(d) in Part D, the creation and scope of the Future Energy Pathways Methodology;

(e) in Part E, the process for review of the Future Energy Pathways; and

(f) in Part F, application to the Authority for a derogation from obligations in this condition.

Part A: Requirement to create Future Energy Pathways

C10.2. The licensee must:

(a) develop and publish the Future Energy Pathways Methodology; and

(b) develop and publish the Future Energy Pathways, in accordance with the Future Energy Pathways Guidance.

C10.3. In developing the Future Energy Pathways, the licensee must:

(a) model and forecast the macro-level energy supply and demand for electricity and gas (including natural gas and hydrogen);

(b) model gas flow forecasts on a nodal or zonal basis, including forecast levels of gas supply and demand;

(c) model and develop pathways for trajectories of future energy supply and demand, for electricity and gas in longer-term time periods out to 2050, as determined by the Future Energy Pathways Methodology or directed by the Authority; and

(d) model and develop a single pathway for a plausible trajectory of future energy supply and demand, for electricity and gas in the short term over a period as determined by the Future Energy Pathways Methodology or directed by the Authority.

C10.4. During the development of the Future Energy Pathways and in accordance with the Future Energy Pathways Guidance, the licensee must consult; (a) the Authority;

(b) persons as set out in the Future Energy Pathways Methodology; and

(c) other parties that may be interested in the development of the Future Energy Pathways.

C10.5. The consultation in accordance with paragraph C10.4 must be of such a form and duration, as practicable, to reasonably allow all parties set out in paragraph C10.4 to provide representations.

C10.6. The licensee must, by 31 July 2025 and by 31 July of every third year thereafter, publish the Future Energy Pathways.

Part B: Guidance for the Future Energy Pathways

C10.7. The Authority will issue and amend the Future Energy Pathways Guidance by direction.

C10.8. The Authority will publish the Future Energy Pathways Guidance on the Authority's Website.

C10.9. The Future Energy Pathways Guidance will set out:

(a) instructions and guidance on the process, content and timeframe for producing the Future Energy Pathways Methodology; and

(b) instructions and guidance on the process, content and timeframe for producing the Future Energy Pathways.

Part C: Issuance and amendment of the Future Energy Pathways Guidance

C10.10. Before directing that the Future Energy Pathways Guidance comes into effect, the Authority will publish on the Authority's Website: (a) the text of the proposed Future Energy Pathways Guidance;

(b) the date on which the Authority intends the Future Energy Pathways Guidance to come into effect; and

(c) a period during which representations may be made by interested parties on the content of the Future Energy Pathways Guidance, which will not be less than 28 days.

C10.11. Before directing an amendment to the Future Energy Pathways Guidance, the Authority will publish on the Authority's Website:

(a) the text of the amended Future Energy Pathways Guidance;

(b) the date on which the Authority intends the amended Future Energy Pathways Guidance to come into effect;

(c) the reasons for the amendments to the Future Energy Pathways Guidance; and

(d) a period during which representations may be made by interested parties on the amendment to the Future Energy Pathways Guidance, which will not be less than 28 days.

Part D: Future Energy Pathways Methodology

C10.12. By 31 March 2025, by 31 March 2027, and then by 31 March of every third year thereafter, the licensee must develop, in accordance with the Future Energy Pathways Guidance, and publish the Future Energy Pathways Methodology as approved by the Authority.

C10.13. The Future Energy Pathways Methodology developed by the licensee must include (but need not be limited to):

(a) pathway decisions: how the licensee decides on the Future Energy Pathways and the set of core assumptions about the future, such as policy and governance, socio-economical, technical, and energy-industrial changes;

(b) data inputs, modelling methods, analysis and areas of collaboration with relevant stakeholders and interested persons;

(c) sensitivity and robustness analysis to test the resilience of the decisions suggested by the pathways;

(d) how each pathway meets legally binding carbon reduction targets;

(e) management of uncertainty and testing of extreme data ranges that are high-impact low-probability for electricity and gas (including natural gas and hydrogen) energy supply and demand;

(f) approach to stakeholder engagement including formal consultation periods, and how wider stakeholders can get involved;

(g) roles and responsibilities of the licensee and other parties collaborating on the Future Energy Pathways; and

(h) the rationale for the choice of time period to which the Future Energy Pathways relate.

C10.14. During the development of the proposed Future Energy Pathways Methodology, and prior to a submission in accordance with paragraph C10.16, the licensee must consult:

(a) the Authority; and

(b) publicly, other parties that might be interested in the development of the Future Energy Plan Methodology.

C10.15. The consultation in accordance with paragraph C10.14(b) must be of such a form and duration to reasonably allow all parties set out in paragraph C10.14 to provide representations.

C10.16. By 31 December 2024, by 31 December 2026, and then by 31 December of every third year thereafter, the licensee must submit to

the Authority, for approval, the proposed Future Energy Pathways Methodology.

C10.17. Submissions made under paragraph C10.16 must include:

(a) a detailed explanation of the consultation process undertaken in the development of the Future Energy Pathways Methodology;

(b) a summary of views from all parties that were consulted in accordance with paragraph C10.14 and an explanation of how these were considered in the development of the Future Energy Pathways Methodology; and

(c) copies of any formal responses submitted to the licensee as part of its consultation process.

C10.18. The Authority may, on receipt of a submission under paragraph C10.16, either:

(a) approve the proposed Future Energy Pathways Methodology; or

(b) give a direction to the licensee that the Future Energy Pathways Methodology requires further development, and the date by which the licensee is required to submit a revised Future Energy Pathways Methodology to the Authority for approval.

Part E: Review of the Future Energy Pathways

C10.19. The licensee must, by 31 December 2025 and by 31 December of every third year thereafter, and by 31 December of 2026 and by 31 December of every third year thereafter:

(a) review the most recent Future Energy Pathways;

(b) submit to the Authority for approval any changes the licensee proposes to make to the Future Energy Pathways Methodology required for production of revised Future Energy Pathways outside of the regular cycle as specified in C10.12 and C10.16; and

(c) publish an updated Future Energy Pathways by the 31 July of the Financial Year following that in which approval was sought under C10.19(b) or such other date as directed by the Authority in a form approved by the Authority. This must be based on the latest Future Energy Pathways Methodology approved by the Authority.

C10.20. The Authority may on receipt of a submission under paragraph C10.18 either:

(a) approve the proposed changes to the Future Energy Pathways Methodology; or

(b) give a direction to the licensee that the Future Energy Pathways Methodology requires further development, and the date by which the licensee is required to submit a revised Future Energy Pathways Methodology to the Authority for approval.

C10.21. The licensee must publish the Future Energy Pathways on its website.

Part F: Derogations

C10.22. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition C11 Strategic Spatial Energy Plan

Introduction

C11.1. The purpose of this condition is to establish the licensee's obligation to produce a Strategic Spatial Energy Plan and a Strategic Spatial Energy Plan Methodology in accordance with a Commission issued by the Secretary of State, including setting out:

(a) in Part A, the requirement to create a Strategic Spatial Energy Plan;

(b) in Part B, the scope and timing of the Strategic Spatial Energy Plan; and

(c) in Part C, the requirement to develop the Strategic Spatial Energy Plan Methodology.

Part A: Requirement to create a Strategic Spatial Energy Plan

C11.2. By direction of the Secretary of State, the licensee will develop a Strategic Spatial Energy Plan.

C11.3. The Secretary of State may amend or revoke a direction for the licensee to produce a Strategic Spatial Energy Plan in Writing.

C11.4. The direction issued by the Secretary of State will be in the form of a Commission.

C11.5. The licensee must develop a Strategic Spatial Energy Plan that will assess the optimal locations, quantities and types of energy infrastructure required across Great Britain to meet forecast energy supply and demand, as set out in the Commission.

C11.6. The licensee must apply the Strategic Spatial Energy Plan Methodology in the development of the Strategic Spatial Energy Plan.

C11.7. During the development of the Strategic Spatial Energy Plan the licensee must consult: (a) the Secretary of State;

(b) the Authority;

(c) other parties set out in the Commission;

(d) parties as set out in the Strategic Spatial Energy Plan Methodology; and

(e) other parties that the licensee considers interested in the development of the Strategic Spatial Energy Plan.

C11.8. The consultation in accordance with paragraph C11.7 must be of such a form and duration to reasonably allow all parties set out in paragraph C11.7 to provide representations.

Part B: Scope and timing of the Strategic Spatial Energy Plan

C11.9. The licensee must produce a Strategic Spatial Energy Plan in accordance with the requirements, scope and timing as issued by the Secretary of State in the Commission.

C11.10. The licensee must, by 31 December 2026 and by 31 December of every third year thereafter (unless otherwise directed by the Secretary of State) submit to the Secretary of State a Strategic Spatial Energy Plan in accordance with the obligations set out in this condition.

C11.11. The licensee must publish the Strategic Spatial Energy Plan on the licensee's website.

Part C: Strategic Spatial Energy Plan Methodology

C11.12. The licensee must develop a Strategic Spatial Energy Plan Methodology and submit it to the Secretary of State and the Authority for review and approval, in line with the requirements and timing set by the Secretary of State in the Commission.

C11.13. Unless otherwise directed by the Secretary of State, by 31 March 2028 and by 31 March of every third year thereafter, the licensee must submit to the Secretary of State a revised Strategic Spatial Energy Plan Methodology, in line with the requirements in Part C of this condition.

C11.14. During the development of the Strategic Spatial Energy Plan Methodology the licensee must consult:

(a) the Secretary of State;

(b) the Authority;

(c) other parties set out in the Commission; and

(d) other parties that the licensee considers interested in the development of the Strategic Spatial Energy Plan.

C11.15. The consultation in accordance with paragraph C11.14 must be of such a form and duration to reasonably allow all parties set out in paragraph C11.14 to provide representations.

C11.16. The licensee must publish the Strategic Spatial Energy Plan Methodology on the licensee's website.

Condition C12 Centralised Strategic Network Plan

Introduction

C12.1. The purpose of this condition is to set out the obligation of the licensee to develop a Centralised Strategic Network Plan (CSNP) and CSNP Methodology, including setting out:

(a) in Part A, the requirement to create a Centralised Strategic Network Plan;

(b) in Part B, the process for issuing and amending the Centralised Strategic Network Plan Guidance;

(c) in Part C, the development and approval process for the Centralised Strategic Network Plan Methodology;

(d) in Part D, the approval process for the Centralised Strategic Network Plan;

(e) in Part E, the publication of the Centralised Strategic Network Plan;

(f) in Part F, requirements to report to the Authority on the quality and timeliness of information provided by Transmission Owners; and

(g) in Part G, the process for issuing and amending the CSNP Coordination Governance Document.

Part A: Requirement to create a Centralised Strategic Network Plan

C12.2. The licensee must, in accordance with the CSNP Guidance:

(a) develop and publish a CSNP Methodology; and

(b) develop and publish a Centralised Strategic Network Plan.

C12.3. In developing the CSNP, the licensee must:

(a) conduct a whole system strategic assessment of network needs over a rolling 25-year time horizon;

(b) evaluate network options for achieving Government net zero targets, identifying and selecting optimal network projects required for delivery in the near term and identifying and selecting a portfolio of potential projects for longer-term requirements;

(c) determine whether a holder of a Transmission License or Transporter License or third party will deliver a project that is identified in paragraph C12.3(b); and

(d) monitor and identify solutions for longer-term trends in electricity transmission and gas transmission operability that can be resolved through commercial means, innovation, or network investments.

C12.4. During the development of the Centralised Strategic Network Plan and in accordance with the CSNP Guidance, the licensee must consult;

(a) the Authority;

(b) persons as set out in the CSNP Methodology; and

(c) publicly, other parties that might be interested in the development of the Centralised Strategic Network Plan.

C12.5. The consultation in accordance with paragraph C12.4 must be of such a form and duration, as reasonably practicable, to reasonably allow all parties set out in paragraph C12.4 to provide representations.

Part B: Centralised Strategic Network Plan Guidance

C12.6. The Authority may issue and amend the CSNP Guidance by direction.

C12.7. The CSNP Guidance will contain, but not be limited to: (a) instructions and guidance on the process, content, and timeframe for publishing the Centralised System Network Plan; and

(b) instructions and guidance for the process, content, and publication of the CSNP Methodology.

C12.8. Before directing that the CSNP Guidance comes into effect, the Authority will publish:

(a) the text of the proposed CSNP Guidance; and

(b) the period during which representations may be made, which will not be less than 28 days.

C12.9. Before directing any amendment to the CSNP Guidance, the Authority will publish:

(a) a consultation on the text of any amendments to the CSNP Guidance;

(b) the date on which the Authority intends the amendments to come into effect; and

(c) the reasons for any amendment.

Part C: The approval process for the CSNP Methodology

C12.10. By 31 December 2025 and by 31 December of every third year thereafter, the licensee must (unless otherwise directed by the Authority) publish the CSNP Methodology.

C12.11. During the development of, and prior to submitting the proposed CSNP Methodology to the Authority pursuant to paragraphs C12.13 and C12.14, the licensee must consult: (a) the Authority;

(b) the Secretary of State; and

(c) publicly, other parties that might be interested in the development of the CSNP Methodology.

C12.12. The consultation in accordance with paragraph C12.11 must be of such a form and duration to reasonably allow all parties set out in paragraph C12.11 to provide representations.

C12.13. By 30 September 2025 and by 30 September of every third year thereafter, the licensee must (unless otherwise directed by the Authority) submit to the Authority for approval the proposed CSNP Methodology.

C12.14. Submissions made under paragraph C12.13 must include:

(a) a detailed explanation of the consultation process undertaken in the development of the CSNP Methodology;

(b) a summary of views from all parties and an explanation of how these were considered in the development of the CSNP Methodology; and

(c) copies of any formal responses submitted to the licensee as part of its consultation process.

C12.15. The Authority may on receipt of a submission under paragraph C12.13 either:

(a) approve the proposed CSNP Methodology; or

(b) give a direction to the licensee that the CSNP Methodology requires further development, and the date by which the licensee is required to submit a revised CSNP Methodology to the Authority for approval.

Part D: The approval process for the Centralised Strategic Network Plan

C12.16. By 1 June 2027 and by 1 June of every third year thereafter, the licensee must (unless otherwise directed by the Authority) submit to the Authority for approval the proposed CSNP.

C12.17. The Authority may on receipt of a submission under paragraph C12.13 either:

(a) approve the proposed CSNP; or

(b) give a direction to the licensee that the CSNP requires further development, and the date by which the licensee is required to submit a revised CSNP to the Authority for approval.

Part E: Publication of the Centralised Strategic Network Plan

C12.18. By 31 December 2027 and by 31 December of every third year thereafter, (unless otherwise directed by the Authority) the licensee must publish the CSNP in accordance with the latest CSNP Methodology (or other date as directed by the Authority) and in accordance with any relevant requirements set out in the Centralised Strategic Network Plan Guidance).

C12.19. The licensee must publish the Centralised Strategic Network Plan on its website.

Part F: Requirements on NESO to report on Transmission Owner data and information submissions

C12.20. The licensee must report to the Authority on the quality and timeliness of the data and information submitted by Transmission Owners to the licensee with respect to the CSNP, in accordance with the requirements contained in the CSNP Coordination Governance Document.

Part G: The CSNP Coordination Governance Document

C12.21. The licensee must comply with the CSNP Coordination Governance Document.

C12.22. The Authority will issue and amend the CSNP Coordination Governance Document by direction.

C12.23. The Authority will publish the CSNP Coordination Governance Document issued or amended on the Authority's Website.

C12.24. Before directing that the CSNP Coordination Governance Document comes into effect, the Authority will publish:

(a) the text of the proposed CSNP Coordination Governance Document;

(b) the date on which the Authority intends the CSNP Coordination Governance Document to come into effect; and

(c) the period during which representations may be made on the CSNP Coordination Governance Document, which will not be less than 28 days.

C12.25. Before directing an amendment to the CSNP Coordination Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the amended CSNP Coordination Governance Document;

(b) the date on which the Authority intends the amended CSNP Coordination Governance Document to come into effect;

(c) the reasons for the amendments to the CSNP Coordination Governance Document; and

(d) the period during which representations may be made on the amendments to the CSNP Coordination Governance Document, which will not be less than 28 days.

Condition C13 Regional Energy Strategic Plan

Introduction

C13.1 The purpose of this condition is to set out the obligation of the licensee to develop a Regional Energy Strategic Plan (RESP) for each of the RESP nations and regions and a RESP Methodology, including setting out:

(a) in Part A, the requirement to create RESPs and a RESP Methodology;

(b) in Part B, the process for the Authority to issue and amend RESP Guidance;

(c) in Part C, the development and approval process for the RESP Methodology;

(d) in Part D, the approval process for the RESPs; and (e) in Part E, the publication of the RESPs.

Part A: Requirement to create RESPs and a RESP Methodology C13.2 The licensee must, in accordance with the RESP Guidance:

(a) develop and publish a RESP Methodology;

(b) develop and publish a RESP for each of the RESP nations and regions in accordance with the RESP Methodology; and

(c) carry out assurance activities following the creation of the RESPs.

C13.3 The licensee must, in accordance with the RESP Guidance:

(a) establish a GB Steering Committee to provide strategic oversight and national-level coordination of strategic energy planning for the purposes of RESP; and

(b) establish a Strategic Board for each of the RESP nations and regions, consult it at key points in the RESP development process and seek its approval of the RESP, in accordance with the RESP Methodology.

C13.4 In the development of each RESP and in accordance with the RESP Guidance, the licensee must:

(a) draw from relevant datasets and undertake stakeholder engagement to develop a Nations and Regions Context;

(b) conduct spatial modelling of future energy supply and demand to develop a single short-term RESP Pathway over a 10-year time horizon and multiple long-term RESP Pathways;

(c) produce an accessible geospatial tool to show RESP Pathways against network capacity data to develop a Spatial Context;

(d) identify and develop a Specification of Strategic Investment Need; and

(e) publish a set of Consistent Planning Assumptions with acceptable ranges of variation to allow for differences between RESP nations and regions.

(a)

C13.5 To support the development of each RESP and in accordance with the RESP Guidance, the licensee must:

actively seek to resolve gaps and inconsistencies in plans within and between RESP nations and regions and identify opportunities for whole-system optimisation; and

(b) develop structured, transparent and accessible routes for stakeholder engagement in each of the RESP nations and regions and develop proportionate forms of support for local government to engage in the development of the RESP.

C13.6 During the development of the RESPs and in accordance with the RESP Guidance, the licensee must use its best endeavours to ensure that requests for the provision of RESP Information are efficient and coordinated, including by providing reasonable requirements regarding the timescale, format, and quality of the RESP Information.

C13.7 During the development of each RESP and in accordance with the RESP Guidance, the licensee must consult;

(a) the Authority;

(b) Distribution Services Providers;

(c) relevant holders of a Gas Transporter Licence with Distribution Networks;

(d) persons as set out in the RESP Methodology;

(e) publicly, other persons and parties that might be interested in the development of the RESPs;

(f) the Strategic Board; and

(g) the GB Steering Committee.

C13.8 The consultation in accordance with paragraph C13.7 must be of such a form and duration to reasonably allow all parties set out in paragraph C13.7 to provide representations.

Part B: RESP Guidance

C13.9 The Authority may issue and amend the RESP Guidance by direction.

C13.10 The RESP Guidance will contain, but not be limited to:

(a) instructions and detailed guidance on the process, content, governance arrangements and timeframe for publishing the RESP; and

(b) instructions and detailed guidance for the process, content, and publication of the RESP Methodology.

C13.11 Before directing that the RESP Guidance comes into effect, the Authority will publish:

(a)

(a) the text of the proposed RESP Guidance; and

(b) the period during which representations may be made, which will not be less than 28 days.

C13.12 Before directing any amendment to the RESP Guidance, the Authority will publish:

a consultation on the text of any amendments to the RESP Guidance;

(b) the date on which the Authority intends the amendments to come into effect; and

(c) the reasons for any amendment.

C13.13 The consultation in accordance with C13.11 or C13.12 must be of such a form and duration to reasonably allow all parties set out in paragraph C13.7(b)-(g) to provide representations

Part C: Development and Approval of the RESP Methodology

C13.14 Unless otherwise directed by the Authority, the licensee must publish the RESP Methodology within 4 weeks of approval, in accordance with paragraph C13.21.

C13.15 The RESP Methodology must, in accordance with the RESP Guidance, develop a detailed mechanism for the approval of the RESP.

C13.16 During the development of, and prior to submitting the proposed RESP Methodology to the Authority and the Secretary of State pursuant to paragraph C13.19 and C13.20, the licensee must consult:

(a) the Authority;

(b) the Secretary of State;

(c) Distribution Services Providers;

(d) relevant holders of a Gas Transporter Licence with Distribution Networks;

(e) publicly, other persons and parties that might be interested in the development of the RESP Methodology; (f) once established, the Strategic Board; and

(g) once established, the GB Steering Committee.

C13.17 The consultation in accordance with paragraph C13.16 must be of such a form and duration to reasonably allow all persons and parties set out in paragraph C13.16 to provide representations.

C13.18 The requirement of paragraph C13.16 may be satisfied by actions taken before or after this licence condition comes into effect.

(a)

C13.19 By 30 June 2026 and by 30 June of every third year thereafter, the licensee must (unless otherwise directed by the Authority) submit to the Authority and the Secretary of State for approval the proposed RESP Methodology.

C13.20 Submissions made under paragraph C13.19 must include:

(a) a detailed explanation of the consultation process undertaken in the development of the RESP Methodology;

(b) a summary of views from all parties and an explanation of how these were considered in the development of the RESP Methodology; and

(c) copies of any formal responses submitted to the licensee as part of its consultation process.

C13.21 The Authority and the Secretary of State may on receipt of a submission under paragraph C13.19 either:

(a) approve the proposed RESP Methodology (or any revised version); or

(b) if either the Authority or the Secretary of State does not approve the RESP Methodology, issue a direction to the licensee that the new (or revised) RESP Methodology requires further development, and the date by which the licensee is required to submit a revised RESP Methodology to the Authority and the Secretary of State for approval.

Part D: Approval of the RESPs

C13.22 By 30 September 2028 and by 30 September of every third year thereafter, unless otherwise directed by the Authority, the licensee must submit each proposed RESP to the relevant Strategic Board for approval, in accordance with the RESP Methodology, subject to C13.27.

C13.23 Submissions made under paragraph C13.22 must include:

(a) a detailed explanation of the consultation process undertaken in the development of the RESPs;

(b) a summary of views from all parties and an explanation of how these were considered in the development of the RESPs; and

(c) copies of any formal responses submitted to the licensee as part of its consultation process.

C13.24 Prior to publication of a RESP in accordance with paragraph C13.28, the licensee must ensure that either:

(a) the Strategic Board has approved the proposed RESP in accordance with the RESP Methodology; or

(b) where, having used reasonable endeavours, the licensee has been unable to obtain such approval, they submit the proposed RESP to the Authority for further consideration and approval in accordance with paragraphs C19.25, C19.26 and C19.27.

C13.25 The Authority may on receipt of a submission under paragraph C13.24(b) either:

(a) offer facilitation to enable approval of the RESP; or

(b) give a direction to the licensee that the proposed (or revised) RESP requires further development, and the date by which the

licensee is required to submit a revised RESP to the Authority for approval; or

(c) approve the proposed (or revised) RESP.

C13.26 Where the Authority makes a direction under C13.25 or C13.27:

(a) the licensee must submit the relevant RESP(s) to the Authority for approval in such form and manner as the Authority may specify;

(b) the Authority may approve the relevant RESP(s) with or without conditions, or require the licensee to make such modifications as the Authority may specify and to resubmit the relevant RESP(s) within a period specified by the Authority; and

(c) if so required by the Authority, the licensee must carry out further consultation with the persons specified by the Authority, in accordance with such process and timeframes as the Authority may specify, prior to the Authority determining whether to approve the relevant RESP(s).

C13.27 The Authority may also generally, by direction:

(a) require that any RESP which has been approved in accordance with the RESP Methodology must be resubmitted to the Authority for review and approval; and/or

(b) require that any RESP which has not yet been approved must be submitted to, and approved by, the Authority prior to publication.

Part E: Publication of the RESPs

C13.28 By 31 December 2028 and by 31 December of every third year thereafter, the licensee must publish a RESP for each of the RESP nations and regions in accordance with the latest RESP Methodology unless another date has been directed by the Authority.

C13.29 The licensee must publish the RESPs and supporting material as described in C13.23 on its website in an accessible format.

Section D: Provision of advice and information

Condition D1 Provision of ISOP Advice

Introduction

D1.1. The purpose of this condition is to set out the licensee's obligations and reporting requirements in connection with the provision of ISOP Advice.

Part A: ISOP Advice to the Authority and to a Minister of the Crown

D1.2. The licensee must have regard to the provisions set out in the Advice Process Document when providing ISOP Advice.

Part B: Further obligations regarding ISOP Advice

D1.3. The licensee must retain for a period of 6 years:

(a) a record of each request, and any modified requests, for ISOP Advice, and a copy of all ISOP Advice provided;

(b) a copy of correspondence related to ISOP Advice provided, and correspondence related to each request, or modified request, referred to in paragraph D1.3(a); and

(c) a record of any correspondence setting out the licensee's position that it is not reasonably practicable for it to comply with a request for ISOP Advice.

D1.4. The licensee must provide to the Authority such records, maintained in accordance with paragraph D1.3, as the Authority or Secretary of State may request.

D1.5. The licensee must, if so requested by the Authority, give reasoned comments on the accuracy and text of any summary or explanation of any ISOP Advice that the Authority proposes to publish in accordance with section 35 of the Gas Act 1986 or section 48 of the Electricity Act 1989.

Condition D2 Information requests by the licensee

Introduction

D2.1. The purpose of this condition is to set out the obligations in connection with the licensee’s power to request information under section 172 of the Energy Act 2023.

D2.2. This condition also provides for the ISOP Information Request Statement that sets out further detail on the process the licensee expects to follow when requesting information.

Part A: Information requests

D2.3. When the licensee acts in accordance with section 172 of the Energy Act 2023, the licensee must comply with the obligations in this condition and the ISOP Information Request Statement as approved by the Authority.

Part B: ISOP Information Request Statement

D2.4. The licensee must by the date that this licence comes into effect (or such later date as the Authority may direct) prepare and submit to the Authority for approval an ISOP Information Request Statement.

D2.5. The ISOP Information Request Statement must include, but need not be limited to, the following matters:

(a) the process the licensee expects to follow when issuing an Information Request Notice, including any further detail around the expected engagement between the licensee and recipient of an Information Request Notice; and

(b) the details to be included in an Information Request Notice issued by the licensee.

D2.6. The licensee must keep the ISOP Information Request Statement under review and determine if any amendment should be made to the ISOP Information Request Statement.

D2.7. Where the licensee determines that the ISOP Information Request Statement should be amended, or if directed to do so by the Authority, the licensee must amend the ISOP Information Request Statement.

D2.8. Unless otherwise directed by the Authority, before preparing a new ISOP Information Request Statement under paragraph D2.4, or amending the ISOP Information Request Statement, the licensee must:

(a) provide a copy of the proposed new or amended ISOP Information Request Statement to the Authority;

(b) consult for a period not less than 28 days with interested parties; and

(c) within 28 days of the close of the consultation, submit to the Authority a report setting out:

(i) the proposed amendments;

(ii) any representations made and not withdrawn; and

(iii) any change to the amendments proposed as a result of such representations.

D2.9. During the period of 28 days beginning with the date of the receipt of the report under paragraph D2.8(c) or ISOP Information Request Statement under paragraph D2.8(a), whichever is later, the Authority will:

(a) approve the new or amended ISOP Information Request Statement proposed by the licensee;

(b) reject the proposed new or amended ISOP Information Request Statement and set out the reasons for such rejection; or

(c) request more information from the licensee and then approve or reject the proposed amendments to the ISOP Information Request Statement within 28 days of receipt of information that the Authority considers satisfies its request.

D2.10. The licensee must publish the new or amended ISOP Information Request Statement, as approved by the Authority, on the licensee's website.

D2.11. The requirements of paragraphs D2.4, D2.8, D2.9, and D2.10 may be satisfied by actions taken by the licensee and the Authority before this licence comes into effect, as well as after.

Part C: Reporting requirements

D2.12. The licensee must, unless the Authority otherwise consents, maintain for a period of 6 years a record of information requests issued pursuant to section 172 of the Energy Act 2023, including: (a) a copy of the Information Request Notice;

(b) any subsequent variations to the original information requested;

(c) the recipient's response to the notice, including any refusal or challenges to the notice or requested information;

(d) the time taken for the recipient to provide the requested information;

(e) the manner and form the information was provided in; and

(f) the information provided in response to the notice, and whether such information complied, in the licensee's view, with the notice issued or varied by the licensee.

D2.13. The licensee must provide to the Authority such records, maintained in accordance with paragraph D2.12, as the Authority may request.

Condition D3 Provision of information to the Authority

Introduction

D3.1. The purpose of this condition is to set out the obligations by which the licensee provides information and reports to the Authority for the Authority to perform certain functions.

Part A: Provision of information to the Authority

D3.2. Subject to paragraphs D3.3 and D3.5, the licensee must provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and must procure and provide to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:

(a) any functions transferred to or conferred on the Authority by or under the Utilities Act 2000; and

(b) the regulatory functions conferred on the Authority by or under any other statute or enactment.

Part B: Further obligations regarding information provision

D3.3. The licensee shall not be required by the Authority to provide under this condition, information for the purpose of the exercise of its functions under section 34 of the Gas Act 1986 or section 47 of the Electricity Act 1989.

D3.4. The licensee must, if so requested by the Authority, give reasoned comments on the accuracy and text of any summary or explanation of any information or advice (so far as relating to its ISOP Business) which the Authority proposes to publish pursuant to with section 35 of the Gas Act 1986 or section 48 of the Electricity Act 1989.

D3.5. This condition does not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.

D3.6. The power of the Authority to call for information under this condition is in addition to any power of the Authority to call for information under or in accordance with any statute, enactment or any other condition. There is a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in Writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Section E: Industry Codes and charging

Condition E1 Obligations regarding the Uniform Network Code

Introduction

E1.1. The purpose of this condition is to establish appropriate obligations on the licensee in respect of arrangements related to the Uniform Network Code, including obligations related to the modification procedures and duty to cooperate, as well as the requirement for the licensee to accede to the Uniform Network Code and subsequently make modification proposals.

Part A: Modification procedures and duty to cooperate

E1.2. In respect of the Uniform Network Code, the licensee must enter into or accede to the Uniform Network Code.

E1.3. Following the licensee acceding to the Uniform Network Code, the licensee may make modification proposals in respect of the Uniform Network Code.

E1.4. The licensee must comply with the Network Code Modification Procedures insofar as is applicable to the licensee, including compliance where the licensee makes a modification proposal to modify the Uniform Network Code.

E1.5. The licensee will cooperate with the Authority, and any person appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any reasonable requests in relation to planning, project assurance and/or coordination/systems integration in order to give full effect to the conclusions of a UNC Significant Code Review.

E1.6. Cooperation for the purposes of paragraph E1.4 may include but is not limited to:

(a) the sharing of such information as reasonable, and constructive participation in the industry engagement, in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a UNC Significant Code Review;

(b) the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;

(c) the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;

(d) the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing; and

(e) all reasonable steps to:

(i) meet key programme milestones for the completion of any action assigned to the licensee;

(ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet the programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;

(iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and

(iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

E1.7. Where:

(a) the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from matters to which the licensee's functions relate; and

(b) a modification to the Uniform Network Code could, consistent with the UNC Relevant Objectives, appropriately deal with the matter,

the licensee must propose such a modification in accordance with the Network Code Modification Procedures, and any requirement that a modification be such as to better facilitate the achievement of the UNC Relevant Objectives shall be treated as met if the modification is consistent with those objectives.

E1.8. The licensee must comply with its obligations under the Uniform Network Code to disclose information relating to any market arrangements related to the carrying out of strategic planning and forecasting in connection with:

(a) the development of pipeline systems for the conveyance of gas; and

(b) other arrangements relating to the conveyance or supply of gas.

E1.9. The licensee must use reasonable endeavours to provide and have in place a representative in the composition of the UNC Panel.

Part B: Availability of data formats

E1.10. Where the licensee uses standard file formats for transferring data, for any purposes set out in the Uniform Network Code, between any persons identified in the Uniform Network Code as appropriate persons for the receipt of data, it must:

(1) make those standard file formats and associated definitions of data items available, free of charge, to Gas Shippers and Gas Transporters for their use in connection with their licensed activities; and

(2) comply with its obligations under the Uniform Network Code and the CDSP Service Agreement in this regard.

Section F: Finance and funding arrangements

Condition F1 Gas revenue calculations and notification process

Introduction

F1.1. The purpose of this condition is to establish requirements on the licensee in relation to:

(a) the licensee's expenditure;

(b) the licensee's allocation of Electricity Licence Expenditure and Gas Licence Expenditure; and

(c) notifying the NTS System Operator of the forecast amounts of $ARGSP_t$ it requires in respect of Gas Licence Expenditure.

Part A: Requirements on ISOP expenditure

F1.2. Unless the Authority consents otherwise, the licensee must only seek to incur expenditure which is for the purposes of carrying out the ISOP Business.

F1.3. The licensee must, when incurring Gas Licence Expenditure in a Regulatory Year, ensure that it can demonstrate that it has had regard to any relevant Plan Determination made by the Authority in accordance with condition G1 (Business Plan), including but not limited to any determination by the Authority that the licensee must: (a) deliver a specific activity or set of activities at a different cost than proposed by the licensee in its Business Plan; or (b) not carry out an activity at all.

F1.4. The licensee must take all reasonable steps to ensure that it incurs no expenditure which is demonstrably uneconomical, wasteful or inefficient, provided that for these purposes:

(a) behaviours of the licensee which might lead to expenditure, which is demonstrably uneconomical, wasteful or inefficient include (without limitation):

(i) an active commitment to expenditure which serves no evident purpose or benefit for carrying out the ISOP Business;

(ii) an active commitment to expenditure which is evidently excessive considering the other options available to the licensee;

(iii) a failure to keep regular expenditure under review which, as a consequence, means the licensee is unable to identify where action is required to better allocate its resources and mitigate the risk of excessive future expenditure;

(iv) a failure to act in reasonable timeframes in response to situations where there is known risk of excessive expenditure materialising;

(v) a failure to assess the economic value of alternative options, or have regard to the relative impact on energy consumers of alternative options, before committing to Material Investments;

(vi) a failure to follow robust decision-making and governance processes for Material Investments;

(vii) a failure to have robust processes for procuring services from external providers;

(viii) a failure to manage and oversee the delivery of services by an external provider or take action to address inadequate service provision; and

(ix) where reckless or irrational actions of the licensee have caused successful legal awards against the licensee;

(b) not used; and

(c) economy, efficiency and wastefulness will be considered on the basis of the knowledge and the information that should have been reasonably available to the licensee at the time of incurring the expenditure.

F1.5. The Authority may issue a Cost Efficiency Notice to the licensee where the Authority considers it requires further information in relation to the licensee's compliance with paragraph F1.4 in relation to a specified activity or a specified expenditure.

F1.6. As soon as reasonably practical after receiving a Cost Efficiency Notice, the licensee must share with the Authority a written explanation for how it has met its obligations under paragraph F1.4 for the activities or expenditure stated by the Authority in the Cost Efficiency Notice.

F1.7. The Authority may also request that the licensee submits to it a Cost Efficiency Plan containing the information in paragraph F1.8.

F1.8. As soon as reasonably practical after receiving a request from the Authority under paragraph F1.7, the licensee must submit to the Authority a Cost Efficiency Plan, which must outline in writing any actions or measures the licensee is taking to ensure compliance with its obligations under paragraph F1.4 for a specified activity or for specified expenditure, at all times from the point of the submission.

Part B: Allocation of revenues between licences

F1.9. The licensee must use best endeavours to ensure there is no double recovery of expenditure through the ARGSP_t term under Part C of this condition and through charges under condition F1 (Expenditure and allowed revenue) of the Electricity System Operator Licence, by allocating its total expenditure as either Electricity Licence Expenditure or Gas Licence Expenditure.

F1.10. By no later than 31 October 2024, or another date agreed with the Authority, the licensee must submit to the Authority a Total Cost Allocation Methodology that sets out the principles and procedures for how the licensee will allocate its total expenditure as either Electricity Licence Expenditure or Gas Licence Expenditure.

F1.11. On receipt of the proposed Total Cost Allocation Methodology provided for in paragraph F1.10, or any proposed revision, as provided for in paragraph F1.13, the Authority will:

(a) approve the Total Cost Allocation Methodology and notify the licensee of approval; or

(b) give a direction to the licensee that the Total Cost Allocation Methodology requires further development and the date by which the licensee is required to submit a revision to the Authority for approval.

F1.12. Following the Authority's approval under paragraph F1.11, the licensee must:

(a) unless the Authority otherwise consents or directs, at all times comply with the Total Cost Allocation Methodology;

(b) at least once in every 12 months, or at such other interval as the Authority may direct, review the Total Cost Allocation Methodology and revise it as necessary, including when circumstances change such that the methodology would no longer lead to a reflective allocation of Electricity Licence Expenditure and Gas Licence Expenditure.

F1.13. The licensee must submit any revisions made to the Total Cost Allocation Methodology to the Authority and any revisions will only become effective once the Authority has approved them, in accordance with paragraph F1.11.

F1.14. The licensee must publish a copy of the Total Cost Allocation Methodology and each revision on its website within a period of 15 Working Days beginning with the date of its approval by the Authority.

Part C: Calculation of the gas revenue provision term ($ARGSP_t$)

F1.15. The licensee must, by the dates specified in the statement issued in accordance with Part C of special condition 6.4 (ISOP gas costs revenue process) of National Gas Transmission plc's Gas Transporter Licence, notify the NTS System Operator of the best estimate of the gas revenue provision term ($ARGSP_t$)term.

F1.16. The value of $\mathrm{ARGSP_t}$ is derived in accordance with the following formula:

$$ARGSP_t = GLE_t + GSPADJ_t$$

where:

GLE_t means Gas Licence Expenditure; and

$GSPADJ_t$ is the Gas System Planner Licence correction term, derived in accordance with Part D.

Part D: Gas System Planner Licence correction term ($GSPADJ_t$)

F1.17. The value of $GSPADJ_t$ is derived in accordance with the following formula:

$$GSPADJ_t = (ARGSP_{t-1} - RGSP_{t-1}) \times (1 + I_{t-1} + 1.15\%)$$

where:

I_t	means the average value of the Reference Variable Rate; and
$RGSP_t$	Is the total revenue received by the licensee in accordance with payments made under special condition 6.4 (ISOP gas costs revenue process) of National Gas Transmission plc's Gas Transporter Licence.

Part E: Obligation to provide forecasts of $ARGSP_t$ to the NTS System Operator

F1.18. In its notification of $ARGSP_t$ provided to the NTS System Operator in paragraph F1.15, the licensee must also provide a reasonable forecast of $ARGSP_t$ for the four following Regulatory Years.

F1.19. The licensee must keep under review the forecast provided to the NTS System Operator under paragraph F1.15 and, if at any time, the licensee reasonably considers the values of $ARGSP_t$ to be significantly different to those previously notified, the licensee must provide a revised forecast to the NTS System Operator as soon as reasonably practicable.

Condition F2 Innovation funding

Introduction

F2.1. The purpose of this condition is to establish arrangements for the calculation of revenues with respect to the Strategic Innovation Fund (SIF).

F2.2. The condition also establishes the governance document that make further provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the Strategic Innovation Fund (SIF_t) term

F2.3. The SIF_t term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the NTS System Operator, or vice versa, in accordance with the direction issued for that purpose by the Authority under Part A of

special condition 5.7 (The strategic innovation fund) in the licence held by the NTS System Operator.

F2.4. In each Regulatory Year, in accordance with the SIF Governance Document and appropriate provisions of the NTS System Operator's licence, the Authority will calculate and then, by direction given to the licensee, specify:

(a) the value of the SIF_t term;

(b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and

(c) the manner in which and the timescale over which the NTS System Operator is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

F2.5. The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

F2.6. In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee specify:

(a) the amount of any SIF Funding Return that the licensee must pay to the NTS System Operator; and

(b) the manner in which and the timescale over which that amount is to be paid.

F2.7. The licensee must comply with any direction that is issued by the Authority under paragraph F2.6.

Part C: The SIF Governance Document

F2.8. The licensee must comply with the SIF Governance Document.

F2.9. The Authority will issue and amend the SIF Governance Document by direction.

F2.10. The Authority will publish the SIF Governance Document on the Authority's Website.

F2.11. The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:

(a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;

(b) the evaluation criteria against which the funding of proposed SIF projects will be assessed and approved;

(c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;

(d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to Gas Transporter Licensees;

(e) the nature of the reporting obligations in respect of Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and

(f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

F2.12. Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

(a) the text of the proposed SIF Governance Document;

(b) the date that the Authority intends the SIF Governance Document to come into effect; and

(c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.

F2.13. Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the amended SIF Governance Document;

(b) the date on which the Authority intends the amended SIF Governance Document to come into effect;

(c) the reasons for the amendment to the SIF Governance Document; and

(d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

F2.14. The steps required to issue or amend the SIF Governance Document may be satisfied by action taken before, as well as by action taken after, this condition comes into effect.

Condition F3 Assets and resources

Introduction

F3.1. The purpose of this condition is to establish requirements on the licensee in relation to:

(a) securing necessary resources;

(b) maintaining an Intervention Plan; (c) the disposal of Relevant Assets; and (d) the use of commercial debt.

Part A: Availability of resources

F3.2. The licensee must at all times act in a manner calculated to secure that it has available to it such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:

(a) to properly and efficiently carry on business and activities it is required to undertake under this licence, the Gas Act 1986 and the Energy Act 2023; and

(b) to comply in all respects with its obligations under this licence and such obligations under the Gas Act 1986 and the Energy Act 2023 as apply to the licensee.

F3.3. The licensee must notify the Authority in Writing immediately if it becomes aware of any circumstance that causes it to not have a reasonable expectation that it will have sufficient resources (including, without limitation, management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities) available to itself to enable the licensee to comply with paragraph F3.2.

F3.4. A notification provided by the licensee to the Authority under paragraph F3.3 must include a description of the factors which have led to the licensee making that notification.

Part B: Requirement to maintain an Intervention Plan

F3.5. The licensee must have in place and maintain an Intervention Plan fulfilling the criteria described in paragraph F3.6.

F3.6. The Intervention Plan must contain information that would be sufficient to allow an administrator readily to obtain information on: (a) the financial assets, resources, and facilities of the licensee;

(b) the non-financial assets, rights, and resources of the licensee including information on key management and operational personnel and information technology systems;

(c) the liabilities of the licensee, including contingent and contractual liabilities, with counterparty and maturity information;

(d) the tax affairs of the licensee;

(e) the personnel of the licensee and any pension schemes sponsored or administered by the licensee;

(f) any mortgages, charges, or other forms of security over the licensee's assets;

(g) the systems and processes by which the licensee carries on the ISOP Business with information on any significant contractual arrangements, including those that impose obligations on the licensee;

(h) any arrangements under which the licensee has relinquished operational control over Relevant Assets;

(i) any contractual rights to receive cash or other financial assets from any ISOP Associate;

(j) any contractual obligations to deliver cash or other financial assets to any ISOP Associate; and

(k) the licensee's arrangements and procedures for ensuring compliance with legislative requirements and with its obligations under this licence, including price control reporting requirements.

F3.7. The requirements in paragraphs F3.5 and F3.6 will be satisfied if the Intervention Plan provides details of other documents or records (including electronic records) where that information can be readily obtained and those documents or records are either maintained by the licensee itself or are available to the licensee at all times under a legal or contractual right.

Part C: Disposal of Relevant Assets

F3.8. The licensee must not undertake an Asset Disposal or relinquish operational control over any Relevant Asset except where the transaction in question:

(a) is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978, or a regulation of the Council or Commission of the European Union that has effect in EU law immediately before IP Completion Day;

(b) is in accordance with directions issued by the Authority for the purposes of this condition containing a written general consent (whether or not subject to conditions) to transactions of a specified description; or

(c) has been notified to the Authority in accordance with paragraph F3.9 and the Authority confirms in writing that it consents to such Asset Disposal or relinquishment of operational control over a Relevant Asset as specified in the written notice (which consent may be made subject to acceptance by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify).

F3.9. For the purpose of requesting consent from the Authority under paragraph F3.8(c), the licensee must give to the Authority not less than two months' prior written notice of its intention to undertake an Asset Disposal or relinquish operational control over any Relevant Asset.

F3.10. The Authority may request further information relating to such asset or the circumstances of such intended Asset Disposal or relinquishment of control or to the intentions of the person proposing to acquire such asset or operational control over such asset.

Part D: Indebtedness

F3.11. The licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):

(a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation, otherwise than by way of:

(i) transactions for a Permitted Purpose, which are on an arm's length basis and on normal commercial terms, and which are undertaken as part of the usual and ordinary course of the licensee's business operations; or

(ii) financial arrangements or guarantees between the licensee and the Secretary of State or as otherwise approved by the Secretary of State;

(b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any ISOP Associate; or

(c) enter into an agreement, incur a commitment incorporating, or permit to remain in effect any agreement or commitment incorporating a cross-default obligation;

except where the transaction is in accordance with directions issued by the Authority for the purposes of this condition containing a written general consent to transactions of a specified description.

F3.12. With respect to transactions under paragraph F3.11 (a)(i), the licensee must have a system of internal controls for the purpose of ensuring it has regard to any published guidance issued from time to time by HM Treasury (or a successor body) outlining principles, recommendations or guidelines on the use and management of financial resources by public organisations in the United Kingdom (to the extent such principles, recommendations or guidelines are relevant to the licensee).

Condition F4 Financial model and handbook

Introduction

F4.1. The purpose of this condition is to set out requirements on the licensee in relation to the NESO Financial Model.

F4.2. This condition also establishes the NESO Financial Handbook and the process the Authority will follow in issuing and amending the NESO Financial Handbook.

Part A: The NESO Financial Model

F4.3. The licensee must maintain, update, consult on, and publish the NESO Financial Model, in line with the requirements in this Part and in the NESO Financial Handbook.

F4.4. The NESO Financial Model must contain the licensee's detailed calculation for its gas revenue provision term ($ARGSP_t$) for each Regulatory Year, in line with the requirements in condition F1 (Gas revenue calculations and notification process) and the NESO Financial Handbook.

F4.5. The licensee must have in place a robust internal governance process to verify the accuracy of the data, information and calculations contained within the NESO Financial Model. This must include, at a minimum, approval from the licensee's chief financial officer (or an equivalent officer that has overall accountability for delivery of the licensee's financial obligations) prior to the publication or submission of any updated or populated versions of the NESO Financial Model to the Authority.

F4.6. The Authority may, where it considers it necessary, direct the licensee to review or change the NESO Financial Model (or supporting models or reporting packs for the NESO Financial Model outlined in the NESO Financial Handbook) in the manner and timeframes specified in the relevant letter of direction.

Part B: The NESO Financial Handbook

F4.7. The licensee must comply with the NESO Financial Handbook.

F4.8. The Authority will issue and amend the NESO Financial Handbook by direction.

F4.9. The Authority will publish the NESO Financial Handbook on the Authority's Website.

F4.10. The NESO Financial Handbook will include provisions about or impose requirements in relation to, but not limited to:

(a) the timelines and processes the licensee should follow for updating, populating and publishing the NESO Financial Model to the Authority and publishing it on its website; and

(b) any other matters relating to the regulation, governance and administration of the NESO Financial Model and the NESO Financial Handbook.

F4.11. Before issuing or amending the NESO Financial Handbook, the Authority will publish on the Authority's Website:

(a) the text of the proposed or amended NESO Financial Handbook;

(b) the date on which the Authority intends the NESO Financial Handbook or amended NESO Financial Handbook to come into effect; and

(c) a period during which representations may be made on the content of the NESO Financial Handbook, which must be at least 14 days.

Condition F5 Requirements on staff remuneration and expenses

Introduction

F5.1. The purpose of this condition is to set requirements on the licensee on its approach to staff remuneration and expenses. This includes requirements on the licensee that aim to support alignment between the Authority's performance assessments and the licensee's decisions on Performance-Related Pay for Applicable Senior Staff. This condition also sets requirements on the licensee to publish certain policies and reports that promote transparency on the licensee's approach, decisions and costs with respect to staff remuneration and expenses.

Part A: Requirements on Performance-Related Pay for Applicable Senior Staff

F5.2. The licensee must ensure that there is a strong relationship between its approach to Performance-Related Pay for Applicable Senior Staff and the performance arrangements established by the Authority pursuant to Condition G2 (Performance reports and assessment). This includes the licensee ensuring the Annual Performance Assessment carried out by the Authority is a material factor in its decisions on Performance-Related Pay for Applicable Senior Staff.

F5.3. Subject to paragraph F5.2, the Licensee may consider a range of factors when determining Performance-Related Pay for Applicable Senior Staff, but it must ensure that at a minimum it demonstrably considers:

(a) the grades in the Annual Performance Assessment;

(b) the Authority's key findings and reasons for the grades in the Annual Performance Assessment;

(c) the views of stakeholders on the licensee's performance, including but not limited to views provided by the Independent Challenge Panel; and

(d) the extent to which the factors in paragraphs F5.3(a) to F5.3(c) relate to the accountabilities and performance of each Applicable Senior Staff member.

F5.4. The licensee must ensure its arrangements for Performance-Related Pay for Applicable Senior Staff create strong incentives on Applicable Senior Staff to promote the licensee's compliance with its license obligations. This includes ensuring that any findings of noncompliance with licence conditions following enforcement action taken by the Authority against the licensee using its statutory enforcement powers are a prominent factor in Performance-Related Pay for Applicable Senior Staff with relevant accountabilities

(including through the implementation and, where relevant, execution of effective malus or claw back provisions).

Part B: Transparency on staff remuneration

F5.5. The licensee must maintain and publish on its website a Remuneration Policy describing the principles, practices, and procedures that the licensee follows when remunerating its employees (including the approach to establishing base salaries, annual salary adjustments, benefit packages, and PerformanceRelated Pay).

F5.6. The licensee must keep the Remuneration Policy under review and publish an updated version as soon as reasonably practicable after identifying any changes that are needed to more closely reflect the principles, practices and procedures followed by the licensee.

F5.7. The licensee must provide transparency on its decisions on Performance-Related Pay for Applicable Senior Staff and the reasoning for these decisions through public end-of-year reporting. This public reporting must as a minimum include:

(a) Disaggregated data on the pay awards granted to each Applicable Executive Committee Member, including the values of pay award granted in comparison to the minimum and maximum values available;

(b) An explanation of the rationale behind the licensee's decisions on performance related pay for each Applicable Executive Committee Member, including an explanation of how the factors in paragraph F5.3 were considered by the licensee;

(c) Aggregated data on the pay awards granted to Applicable Senior Staff who are not Applicable Executive Committee Members, including the average percentage pay award compared to the average minimum and average maximum values available; and

(d) A summary explanation of the rationale behind the licensee's aggregate decisions on performance related pay for Applicable Senior Staff who are not Applicable Executive Committee Members, including an explanation of how the factors in paragraph F5.3 were considered by the licensee.

Part C: Requirements with respect to expenditure on travel, expenses and hospitality

F5.8. The licensee must have in place a robust system of internal governance, procedures and controls that ensure any travel or expenses cost incurred or claimed by its employees, or any expenditure on hospitality:

(a) has a justified needs-case with respect to the effective operation of the ISOP Business;

(b) delivers value for money for energy consumers; and

(c) aligns with the relevant expectations established in any formal agreements with the Secretary of State, as well as any

published guidance issued from time to time by HM Treasury (or a successor body) outlining the principles, recommendations or guidelines on the use and management of financial resources by public organisations in the United Kingdom.

F5.9. The licensee must maintain and publish on its website an Expenses Policy which describes the principles, practices, procedures and systems that the licensee follows in relation to expenditure on expenses, travel and hospitality by employees (management and the wider workforce), and when carrying out the ISOP Business.

F5.10. The licensee must keep the Expenses Policy under review and publish an updated version as soon as reasonably practicable after identifying any changes that are needed to more closely reflect the principles, practices and procedures followed by the licensee.

F5.11. The licensee must provide transparency on the expenditure it incurs on travel, expenses and hospitality each Regulatory Year through public end-of-year reporting. This public reporting must at a minimum include:

(a) data on the total expenses claimed by each member of the licensee's executive committee over the Regulatory Year, disaggregated into sub-categories which include at a minimum: air travel, rail travel, travel by taxi and car, accommodation, subsistence, and other;

(b) data on the cumulative total of staff expenses over the Regulatory Year disaggregated into sub-categories which include at a minimum: travel, accommodation, subsistence, and other; and

(c) data on the licensee's cumulative expenditure on hospitality.

Section G Regulatory reports and assessment

Condition G1 Business Plan

Introduction

G1.1. The purpose of this condition is to set obligations on the licensee related to the development of Strategic Aims and Business Plans.

G1.2. This condition also sets out the process the Authority will follow in issuing and amending the NESO Business Plan Guidance.

Part A: Strategic Aims

G1.3. The licensee must:
(a) develop and maintain a set of Strategic Aims; and (b) publish the Strategic Aims on its website.

G1.4. The Strategic Aims must meet the requirements set out within the NESO Business Plan Guidance.

G1.5. The licensee must keep the Strategic Aims under review. Where the licensee identifies that the Strategic Aims will be materially inaccurate by the time of the next Business Plan submission, the licensee must seek to update and republish the Strategic Aims in sufficient timescales for the revised Strategic Aims to inform the development of the next Business Plan.

G1.6. Subject to paragraph G1.5, the licensee must conduct a review of the Strategic Aims with stakeholders at least once every six years.

Part B: Business Plan

G1.7. Before the start of the Regulatory Year commencing 1 April 2028, and subsequently every two years, unless the Authority directs otherwise, the licensee must:

(a) produce a Business Plan; and

(b) publish the Business Plan on its website.

G1.8. The Business Plan must contain, with respect to the two forthcoming Regulatory Years:

(a) the licensee's forecast of the total Internal Expenditure that it expects to incur for each of the two Regulatory Years within the Business Plan period;

(b) an explanation of and justification for the forecast Internal Expenditure;

(c) a clear articulation of the major performance outcomes the licensee is seeking to achieve over the Business Plan period, including an explanation of how those shorter term performance outcomes relate to the licensee's most recent Strategic Aims;

(d) information and measures to explain how the outcomes in paragraph G1.8(c) will be achieved in practice (including a description of the licensee's major planned deliverables and key milestones); and

(e) any other required contents set out in the NESO Business Plan Guidance.

Part C: Stakeholder engagement

G1.9. Whenever preparing the Business Plan, or whenever materially revising the Strategic Aims, the licensee must engage with relevant stakeholders, in line with the guidance provided in the NESO Business Plan Guidance.

Part D: Authority's review and determination on the Business Plan

G1.10. The licensee must submit the Business Plan, and any other supporting information required by the Authority for review, in line with the process and timelines set out in the NESO Business Plan Guidance.

G1.11. The Authority will assess the Business Plan, and any other supporting information required by the Authority, in line with the process and timelines set out in the NESO Business Plan Guidance.

G1.12. The Authority will publish an annual Plan Determination following its assessment of the Business Plan on the Authority's Website.

G1.13. The Authority's Plan Determination will set out the Authority's views and conclusions on the contents of the Business Plan, including, where relevant, any additional or different expectations the Authority considers the licensee should meet over the Business Plan period, in line with the process in the NESO Business Plan Guidance.

Part E: NESO Business Plan Guidance

G1.14. The Authority will issue and amend the NESO Business Plan Guidance by direction.

G1.15. The licensee must comply with the NESO Business Plan Guidance.

G1.16. The Authority will publish the NESO Business Plan Guidance on the Authority's Website.

G1.17. The NESO Business Plan Guidance will include provisions about or impose requirements in relation to: (a) requirements related to Strategic Aims;

(b) the date for the submission of the Business Plan;

(c) the contents of the Business Plan;

(d) the processes for engagement with stakeholders, including any consultations; and

(e) how the Authority will assess the Business Plan and make a Plan Determination.

G1.18. Before issuing a new or amended NESO Business Plan Guidance, the Authority will publish on the Authority's Website:

(a) the text of the proposed or amended NESO Business Plan Guidance;

(b) the date on which the Authority intends the NESO Business Plan Guidance or amended NESO Business Plan Guidance to come into effect; and

(c) a period during which representations may be made on the content of the NESO Business Plan Guidance, which will not be less than 28 days.

G1.19. After issuing or amending the NESO Business Plan Guidance, the Authority must:

(a) publish the NESO Business Plan Guidance on the Authority's Website; and

(b) ensure that any amendments to the NESO Business Plan Guidance are promptly incorporated into a consolidated version maintained on the Authority's Website.

G1.20. The steps required to issue or amend the NESO Business Plan Guidance may be satisfied by action taken before, as well as by action taken after, this condition comes into effect.

Condition G2 Performance reports and assessment

Introduction

G2.1. The purpose of this condition is to establish the licensee's regulatory performance incentives, including requirements on the licensee in relation to performance reporting and gathering stakeholder feedback, and the arrangements for an assessment of the licensee's performance by the Authority.

G2.2. This condition also establishes the NESO Performance Arrangements Governance Document and sets out the process the Authority will follow in issuing and amending the NESO Performance Arrangements Governance Document.

Part A: Performance reports, stakeholder feedback and assessment

G2.3. The licensee must publish, on its website, reports demonstrating its performance carrying out the ISOP Business, including with respect to the achievement of Business Plan outcomes and value for money in expenditure, in line with the requirements in the NESO Performance Arrangements Governance Document.

G2.4. The licensee must put in place arrangements that enable stakeholders to provide regular and coordinated feedback on the licensee's performance carrying out the ISOP Business, in line with the specific requirements in the NESO Performance Arrangements Governance Document, and must use reasonable endeavours to ensure these arrangements facilitate feedback from a diverse range of stakeholders.

G2.5. The Authority will put in place arrangements for the Independent Challenge Panel. These arrangements, including the associated requirements on the licensee, will be set out within the NESO Performance Arrangements Governance Document.

G2.6. The licensee must engage and cooperate with the Independent Challenge Panel to enable the Independent Challenge Panel to deliver its roles and responsibilities as established in the NESO Performance Arrangements Governance Document.

G2.7. At the end of each Regulatory Year, the Authority will publish its views on the licensee's performance over that Regulatory Year, in line with the arrangements in the NESO Performance Arrangements Governance Document.

Part B: The NESO Performance Arrangements Governance Document

G2.8. The licensee must comply with the NESO Performance Arrangements Governance Document.

G2.9. The Authority will issue and amend the NESO Performance Arrangements Governance Document by direction.

G2.10. The Authority will publish the NESO Performance Arrangements Governance Document on the Authority’s Website.

G2.11. The NESO Performance Arrangements Governance Document will include provisions about or impose requirements in relation to:

(a) reports the licensee must publish on its website to demonstrate its performance in carrying out the ISOP Business (including with respect to its delivery of Business Plan outcomes and its expenditure);

(b) the process and procedures that will be in place for any assessment of the performance of the licensee by the Authority;

(c) the requirements the licensee must fulfil as part of any such assessment process;

(d) how any such assessment of the performance of the licensee will be published by the Authority;

(e) requirements in relation to licensee gathering feedback from its stakeholders;

(f) the arrangements for the Independent Challenge Panel, and the licensee's obligations in relation to the Independent Challenge Panel; and

(g) any other matters relating to the regulation, governance, or administration of the licensee's regulatory performance incentives.

G2.12. Before issuing a new or amended NESO Performance Arrangements Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the proposed or amended NESO Performance Arrangements Governance Document;

(b) the date on which the Authority intends the NESO Performance Arrangements Governance Document or amended NESO Performance Arrangements Governance Document to come into effect; and

(c) a period during which representations may be made on the content of the NESO Performance Arrangements Governance Document, which will not be less than 28 days.

G2.13. The steps required to issue or amend the NESO Performance Arrangements Governance Document may be satisfied by action taken before, as well as by action taken after, this condition comes into effect.