Call for input

Next Steps on the Dedicated Network Services Licence

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This call for input is the next stage of Ofgem's work to establish an enduring regulatory framework for the provision of dedicated network services. Following our 2025 consultation, industry respondents largely supported the creation of a bespoke licensing regime for DNS. Ofgem subsequently recommended legislative change, and subject to Parliament, the Energy Independence Bill 2026), would provide the basis for DNS to become a distinct licensable activity under the Electricity Act 1989.

This call for input seeks views on the development and implementation of the future licensing framework, including licence design, transition arrangements and wider policy considerations. We also set out our programme of work for delivery of a new licence to cover this activity.

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1. Purpose

This call for input provides an update on our[1] review of the regulatory arrangements for the provision of dedicated network services (DNS), [2] following our April 2025 consultation.[3] That consultation sought views on whether an enduring regulatory framework is needed for DNS and, if so, what form that framework should take. Industry responses broadly supported the need for a bespoke licence for DNS.

Following the review and consultation, we recommended that government provide Ofgem with the necessary powers to establish a bespoke licensing regime for DNS. The legislative landscape has since developed through the introduction of the Energy Independence Bill (the Bill) 2026.[4] Subject to relevant provisions coming into force, the Bill would provide the legislative basis for the provision of DNS to become a licensable activity under the Electricity Act 1989 and will enable Ofgem to tailor a licence to that specific activity.

This call for input explains how consultation responses have informed Ofgem's current position, sets out the potential implications of the legislative changes proposed in the Bill, and provides an indicative overview of the next stages of work, including licence development, industry engagement, implementation and commencement of the new licensing regime.

Call for input stages

The call for input will progress through the following stages:

Stage 1: Call for input opens – 20 November 2026

We invite stakeholders to provide evidence and views on the policy and implementation issues set out in the "Areas for engagement" section.

Stage 2: Call for input closes – 12 January 2027

This is the deadline for submitting responses.

Stage 3: Responses reviewed – Early 2027

[1] The terms "we", "us", "our", "Ofgem", "GEMA" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.
[2] "Provision of dedicated network services" refers to the provision of one or more of the network services defined in section 127 of the Bill, otherwise than in the course of carrying on another licensable activity, or incidentally in the course of consuming electricity or changing the amount of electricity consumed.
[3] Consultation on Regulatory arrangements for dedicated provision of network services (April 2025): https://www.ofgem.gov.uk/consultation/regulatory-arrangements-dedicated-provision-network-services
[4] Energy Independence Bill 2026, Part 6, Chapter 2 (Provision of dedicated network services): Energy Independence Bill - Parliamentary Bills - UK Parliament. See also: Energy Independence Bill overview - GOV.UK.

We will review the responses and use the evidence received to inform our policy development and assessment of the options. We may seek targeted evidence where further information is needed.

Stage 4: Initial licence outline and further engagement – Mid 2027

We will publish non-confidential responses to this call for input on our website and share a summary of the views received through continued industry engagement. We will consider the responses alongside our wider policy development and share an initial licence outline with industry, seeking views on whether it captures the right areas of focus for an effective and proportionate regulatory approach.

How to respond

We want to hear from anyone interested in this call for input. Please send your response to the team named on the front page of this document before the response deadline.

The areas on which we are seeking evidence and views are set out in the “Areas for engagement” section. Respondents may address all or any of these areas and are encouraged to provide supporting evidence where possible.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions

and in accordance with section 105 of the Utilities Act 2000. Please refer to our policy on how and when we consult.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a call for input

- Find the web page for the call for input you would like to receive updates on.
- Click 'Get emails about this page', enter your email address and click 'Submit'.
- You will receive an email to notify you when it has changed status.

A call for input has two stages: 'Open' and 'Closed'.

2. Background

Network services, such as reactive power, short circuit level and inertia, play a critical role in maintaining the secure and stable operation of electricity systems. As Great Britain's electricity system continues to decarbonise and becomes increasingly reliant on renewable generation, the need for the dedicated provision of these network services, decoupled from traditional generation activity, is becoming ever more important for ensuring system security and supporting the transition to a clean power system.

Existing electricity licensing categories were not designed with DNS providers in mind. Since 2021, Ofgem has used interim regulatory solutions, including granting generation or transmission licences to certain providers depending on the nature of their assets. While these arrangements enabled projects to proceed, they were always intended to be temporary and did not provide an enduring regulatory framework for a growing and distinct category of market participant.[5]

Through its review, including engagement with stakeholders, Ofgem identified a number of potential challenges with the current arrangements, including limited regulatory oversight of DNS providers, inconsistent treatment between licensed and unlicensed participants, and uncertainty regarding the applicable obligations, rights and responsibilities of providers operating in these markets. Stakeholders also highlighted the importance of ensuring transparency, accountability and a level playing field as these markets continue to develop.

In light of the above, Ofgem concluded that there is a strong case for a proportionate and enduring regulatory framework tailored to the provision of DNS. A bespoke licensing framework would provide greater clarity for market participants, improve regulatory oversight, support competition and investment, and help ensure that the provision of these increasingly important services continues to operate in the interests of consumers and system security.

Summary of stakeholder responses and Ofgem's feedback

From our April 2025 consultation, Ofgem received 13 responses from a broad range of industry stakeholders, including transmission owners, generators, service providers, NESO and an industry body. Twelve respondents strongly supported our recommendation to establish a bespoke regulatory framework for DNS. One respondent preferred retaining existing licensing arrangements, while supporting

[5] Ofgem's open letter dated 20 Oct 2021: https://www.ofgem.gov.uk/publications/review-regulatory-framework-ancillary-service-assets-and-clarification-our-short-term-treatment-synchronous-condensers

Ofgem's objective of creating a level playing field and stronger oversight for DNS. We are grateful to all parties who provided feedback on our proposal.

Respondents broadly agreed that an enduring licensing regime would improve regulatory oversight, provide greater clarity on obligations, and help ensure a level playing field for providers operating in these markets. Many respondents also recognised that DNS providers represent a distinct category of participant that is not fully accommodated within existing electricity licensing arrangements.

The respondent who did not support the introduction of a new bespoke licence considered that it would require legislative change, potentially causing delay and increasing investor uncertainty. Instead, they preferred retaining existing licensing arrangements and suggested that the objectives of regulatory oversight could be achieved through changes to commercial arrangements between NESO and network service providers, or by using existing electricity licences with modifications or disapplication of existing licence conditions. We have carefully considered this view but, supported by broader support for our approach, continue to believe that a bespoke licensing framework provides the most appropriate enduring solution. Unlike commercial contracts, a licence framework provides transparency to industry, regulatory oversight, accountability and enforcement, while allowing obligations to be tailored specifically to the DNS providers. Existing electricity licence categories were not designed for this activity and do not provide the same degree of clarity for assets dedicated to delivering network services. However, we are retaining the existing interim approach while we develop the enduring framework.

Some stakeholders asked for more clarity on the definition of "network services" and the scope of services to be included. The Bill introduces a statutory definition of DNS provision under the Electricity Act 1989. It covers services relating to inertia[6], reactive power and short-circuit level.

Respondents also sought clarity on whether existing generators and transmission owners would need to obtain a DNS licence, and asked whether exemptions, dual licensing, or switching between licence types would be available. The Bill establishes the legislative framework within which these matters will be addressed, including restrictions on holding certain licences concurrently and provisions supporting the transition of existing licensees. The detailed treatment of different providers will be developed through the licence-design process, industry engagement and consultation.

A respondent also suggested that the new licensing framework should allow the flexibility to provide services to both the electricity distribution and transmission

[6] Inertia including synthetic inertia.

systems. We consider that this is reflected in the Bill as the definition of DNS states that the services may be provided to either transmission or distribution systems.

Stakeholders also raised wider issues that will need to be considered as we develop the detailed licence framework. These include roles and responsibilities across market participants, technical and financial requirements for DNS providers, wider system impacts, code interactions and implementation arrangements. We invite interested parties to provide views for us to consider by responding to this call for input. The areas where we expect to seek further input are set out in the indicative programme and areas for engagement section below.

3. Energy Independence Bill 2026

The Energy Independence Bill 2026 represents an important development in Ofgem's work to establish an enduring regulatory framework for DNS. Subject to Parliament, the Bill would provide the legislative basis for a new licensable activity under the Electricity Act 1989 and would enable Ofgem to tailor a licence to that specific activity. The detailed design of that framework will be developed through further policy work, industry engagement and consultation.

What the Bill introduces for DNS

The Bill has been introduced to Parliament and is described by the Government as "a package of reforms to build an energy system that works for consumers".[7] As part of this wider package, and subject to Parliamentary approval, the Bill would provide the legislative basis for the dedicated provision of network services to become a distinct licensable activity under the Electricity Act 1989. This would represent a significant development and provide a route to move from the current interim arrangements towards an enduring regulatory framework tailored to DNS, supporting a secure, efficient and affordable electricity system and a fair, well-regulated market.

The Bill as introduced defines DNS by reference to services provided to transmission or distribution systems relating to frequency stability, reactive power and current supplied during a short circuit or other electrical fault. It would require GEMA to determine standard conditions for DNS licences. The Bill also provides a route for any consequential licence and code changes that may be needed in connection with the grant of a DNS licence.

What this means for existing providers

The Bill includes provisions to support an orderly transition from the current interim licensing arrangements to the new DNS licensing framework. This will enable affected providers to prepare for the new regime and determine the appropriate licensing arrangements for their activities.

The Bill also provides GEMA with discretion, in defined circumstances, to revoke an existing generation or transmission licence. We currently envisage that generation licences which were issued as an interim arrangement to be revoked if the provider is not carrying out generation activity. A provider that continues to generate alongside providing DNS may need to retain both licences. By contrast, the Bill requires a

[7] Further details, including the objectives of the Bill can be accessed here: Energy Independence Bill overview - GOV.UK.

transmission licence to be revoked because its unbundling requirements[8] prevent the same person from holding both licences. These arrangements will support an orderly transition from the interim licensing arrangements and help ensure that providers hold licences appropriate to the activities they carry out.

Ofgem will develop the detailed licence framework, including its scope, standard conditions, code interactions and transitional arrangements, through further policy work, industry engagement and consultation. Subject to Parliament, the Bill would require GEMA to determine standard conditions for DNS licences before the prohibition is brought into force. The timing of commencement will be set through the relevant commencement arrangements. Subject to consultation and those arrangements, Ofgem currently envisages there will be around 9 to 12 months between publication of the final licensing framework and commencement of the prohibition.

[8] According to section 127(4)(b) of the Bill, the same person may not be the holder of a dedicated network services licence and the holder of a transmission licence.

4. Indicative programme and next steps

Ofgem will engage with industry before consulting on the detailed DNS licence framework. This engagement will inform the development of a clear, proportionate and implementable framework and provide stakeholders with an opportunity to identify practical considerations before we bring forward formal proposals. We will then consult formally on the detailed framework.

Indicative stages and timeline

Ofgem's next phase of work will focus on developing the detailed licence framework and implementation approach for DNS. This will include further work on the scope of the licence, the standard conditions, interactions with existing licences and industry codes, and the approach to transition and implementation.

We recognise that industry will benefit from notice of when Ofgem expects to seek input and what issues are likely to be considered at each stage. The table below provides our current indicative programme for the next phase of work. It is intended to help stakeholders plan for engagement while recognising that the programme remains subject to legislative progress, further policy development and Ofgem governance.

Stage	**What this will involve**	**Indicative Timing**
Call for Input (CfI)	Ofgem publishes the CfI and seeks evidence on the policy and implementation issues identified under "Areas for engagement".	12 January 2027 (Response deadline)
Policy development and evidence assessment	Ofgem will review responses to this call for input and use the evidence received to inform its policy development and assessment of the options. We may seek targeted evidence where further information is needed to assess options.	Early 2027
Licence design principles and initial outline	Ofgem will consider the responses to this call for input alongside its wider policy development to map the policy objectives to the proposed licence	Mid 2027

	structure and develop an initial licence outline. We will seek views on whether it captures the right areas of focus for an effective and proportionate regulatory approach.	
Licence development and structured industry engagement	Ofgem will develop the proposed standard conditions with input from industry at key stages. We will seek views on the proposed obligations, proportionality, interactions with existing licences and codes, and implementation. We currently anticipate holding engagement sessions approximately quarterly and will provide advance notice of the topics and input sought.	Late 2027 to Late 2028
Development of draft proposals	Ofgem will consolidate the proposed licensing framework, undertake internal review and governance, and prepare draft proposals for consultation. We will explain how the principal issues raised through engagement have informed those proposals.	Late 2028 to Early 2029
Formal and statutory consultation	Ofgem will consult on the proposed licence framework and undertake the statutory consultation required before making a final decision. Stakeholders will be invited to submit formal representations on the proposed standard conditions, implementation approach and any related licence or code changes.	Early 2029 (Licence Consultation) Late 2029 (Statutory Consultation)

Decision, implementation and transition	Ofgem will consider consultation responses, decide the licence framework and confirm the implementation and transition arrangements. During this period, we will engage with affected providers on the steps required to move from interim arrangements, obtain the appropriate licence and prepare for compliance before the prohibition takes effect.	Early 2030 (Decision) Early to Late 2030 (Transition and implementation)
Commencement of prohibition	Subject to Parliament, the prohibition would take effect after the licence framework has been decided and implemented. Providers carrying out the licensable activity will need to hold the appropriate licence by that date.	Early 2031

These timings are indicative and remain subject to Parliamentary progress, the relevant provisions coming into force, further policy development, Ofgem governance and stakeholder engagement. The implementation period before the prohibition takes effect is also subject to further development and should not be treated as fixed. We will keep industry up to date as timelines become firmer.

Areas for engagement

Before consulting on the proposed standard conditions for DNS licences, Ofgem will engage with industry on the key policy and implementation issues that remain open. Through this call for input, we are seeking early evidence to help identify practical risks, dependencies and matters requiring further clarity before developing detailed proposals.

We welcome evidence and views on:

- Should the DNS licensing framework include a de minimis threshold, exemption or other proportionality mechanism and, if so, how should it apply across different network services?
- What obligations and requirements should be addressed through the standard conditions for DNS licences?

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- What practical issues should Ofgem consider when transitioning existing generation and transmission licensees to the DNS licensing framework, including where a provider may need to retain an existing generation licence alongside a DNS licence?
- What type of changes to existing electricity licences or industry codes may be required in connection with the grant of DNS licences? Please identify any specific provisions, conflicts or dependencies that Ofgem should consider.
- How should DNS licence obligations interact with providers' existing contractual responsibilities to NESO, network companies or other parties, including any potential duplication, conflict or gaps?
- What arrangements and lead time will existing providers need to transition to the DNS licensing framework?
- What should the sequence of implementation be before the prohibition comes into force, including any practical steps or dependencies?

At this stage, we are not seeking to ask industry to respond to a fixed set of consultation questions or to pre-judge the detailed design of the framework. **Instead, we want to understand where industry considers there may be implementation risks, practical constraints, dependencies with existing arrangements, or areas where further clarity will be needed.**

We particularly welcome early input from all parties directly affected by the new framework, or that are well placed to identify practical dependencies, risks or implementation issues.

This early engagement will inform the proposals that Ofgem brings forward for consultation. Formal consultation will follow once the detailed licence framework has been developed, giving stakeholders a further opportunity to comment on Ofgem's proposed approach before final decisions are made.

5. Closing and Next Steps

Ofgem is seeking early input to inform the development of the DNS licence framework before bringing forward formal proposals for consultation, in line with the timeline set out in Section 4. Responses to this call for input will help us understand practical risks, dependencies and implementation issues, including in relation to scope, proportionality, licence design, code interactions and transition from current arrangements.

Following the close of this call for input, we will review responses and use them to inform the next phase of policy development. The prohibition on carrying out the licensable activity without the appropriate licence will take effect only after the framework has been developed, consulted on, decided and implemented, and the relevant commencement provisions have been brought into force.