



To: All persons listed in section 170(2) of the Energy Act 2023

**Energy Act 2023
Section 170(1) and (3)**

Notice of statutory consultation on a proposal to grant (or treat as granted) an Electricity System Operator and a Gas System Planner licence, and to make modifications to the conditions of other licences.

1. The Secretary of State for Energy Security and Net Zero proposes to grant (or treat as granted) an Electricity System Operator (ESO) and a Gas System Planner (GSP) licence, and to make modifications to the conditions of other licences pursuant to section 169 of the Energy Act 2023.
2. The Department for Energy Security and Net Zero (DESNZ) and Office of Gas and Electricity Markets (Ofgem) (collectively referred to in this document as “we”) are jointly issuing a statutory consultation. This letter operates as a notice published by the Secretary of State for the purposes of section 170(1)(b) of the Energy Act 2023.
3. The reason for these proposals is to bring together the outputs of multiple non-statutory consultations on National Energy System Operator (NESO) which, when the company is created, will be designated as the Independent System Operator and Planner (ISOP)¹ and hold an ESO and GSP licence. This includes the licences, new roles, financial design and incentives, and consequential changes to other licences. It provides the complete proposed NESO Day 1² licence conditions, subject to the conclusion of this statutory consultation.
4. In addition to the terms and conditions of the ESO and GSP licences, we are also consulting on the Direction that the Secretary of State proposes to give under section 167 of the Energy Act 2023, that will cause National Grid Electricity System Operator Limited’s existing transmission licence to have effect as the ESO licence (incorporating those terms and conditions) when NESO is designated as the ISOP.
5. We are also consulting on modifications to the following licences which will be impacted by the designation of the ISOP:
 - Electricity Transmission Standard Licence Conditions
 - National Grid Electricity Transmission plc Special Conditions
 - SP Transmission plc’s and Scottish Hydro Electric Transmission plc’s Special Conditions

¹ The ISOP has previously been referred to as the Future System Operator (FSO).

² Where ‘Day 1’ is the first day of the NESO (i.e. the effective date of designation of the ISOP)



- Electricity Generation Standard Licence Conditions
 - Electricity Interconnector Standard Licence Conditions
 - Electricity Supply Standard Licence Conditions
 - Electricity Distribution Standard Licence Conditions
 - All Electricity Distribution Special Conditions (including additional changes to Scottish Hydro Electric Power Distribution plc's Special Conditions only)
 - Smart Meter Communication Licence
 - National Gas Transmission plc (NGT) Gas Transporter Licence (Part C) Special Conditions
 - All other Gas Transporter Licence Special Conditions
 - Gas Transporter Standard Special Conditions (Part A)
 - Gas Transporter Standard Licence Conditions.
6. The effect of these proposals is to provide the complete proposed NESO Day 1 licence conditions and modifications to other impacted licences, subject to the conclusion of this statutory consultation.
7. A copy of the proposed licence terms, proposed licence direction, proposed ESO and GSP licence conditions, the proposed modifications to the impacted licences, detailed reasons and effects and other documents referred to in this document have been published on our websites:
- <https://www.gov.uk/government/consultations/national-energy-system-operator-neso-licences-and-other-impacted-licences-statutory-consultation>
 - www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/future-system-operation-fso
8. Any representations with respect to the proposals must be made on or before 9 May 2024 to:
- Electricity Systems Team, Department for Energy Security and Net Zero, 3-8 Whitehall Place, London, SW1A 2EG **and** Future System Operation, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU
- or**
- nesoproject@energysecurity.gov.uk **and** Fso@ofgem.gov.uk
9. All consultation responses are normally published on Ofgem's website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on Ofgem's website.



10. Following consideration of the responses to this consultation, if the Secretary of State decides to make the proposed modifications, they will have effect on the date that designation of the ISOP comes into effect.

11. This will be on a date after this consultation closes on 9 May 2024.

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Ben Eyre-White - Head of National Energy System Operator Policy
28 March 2024