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By email: FSO@ofgem.gov.uk

Date

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Contact

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Dear David and the FSO Team,

### Consultation on Associated Documents to the proposed NESO licences – Regulatory Framework Documents

We welcome the opportunity to respond to Ofgem's consultation on the Associated Documents to the proposed NESO Licences and Regulatory Framework. We also refer to the position that we submitted on 2<sup>nd</sup> February 2024 in our response to Ofgem's consultation on the Policy Direction for the Future System Operator's Regulatory Framework. We are supportive of Ofgem introducing a regulatory framework for the NESO that is aimed at ensuring consumer interests are protected and support the introduction of the ISOP. However, we do not believe that the framework suggested in the associated documents provide the necessary protections for consumers and fails to provide clarity on the process for receiving and considering stakeholder feedback.

We have set out a summary of our position below which re-emphasises the position stated on our 2<sup>nd</sup> of February response. Please do not hesitate to reach out to me should you wish to discuss any of the points raised in this response.

#### Summary:

We maintain that it is imperative for stakeholders to have a viable route to raise concerns with the NESO's ISOP and can hold parties accountable. We encourage Ofgem to ensure that stakeholders are formally consulted on the NESO's ISOP performance with relevant parties. Anything short of this fails to reflect an accurate portrayal of the ISOPs performance over the 18-month period. We would also welcome additional clarity on the composition of the performance panel, and to ensure that relevant parties are able to raise concerns and have them addressed throughout the process. Nevertheless, we welcome the inclusion of the 18-month feedback period on which the ISOP will be obligated to publish a report on its feedback. We would maintain the importance of having stakeholder feedback which plays a critical role in establishing the effective delivery of the roles and responsibilities of the NESO's ISOP and to formally obtain these from relevant stakeholders through consultations.

#### *The Role of Stakeholders*

It is unclear what the intention is for the stakeholder's role in providing feedback to the NESO's ISOP and to ensure that feedback is being considered when determining the ISOP's performance throughout the scheme. Ofgem states in the consultation that it will not hold a formal stakeholder event or issue a call for evidence throughout the incentive scheme, although will consider stakeholder views for the purpose of BP2 performance assessments. We believe that stakeholders should have an ability to influence the performance metrics of the NESO and hold them to account where they believe there is a need to do so.

### *Expectations for Establishing the ISOP*

As we stated in our previous consultation response, we request that Ofgem sets out how it intends to manage potential conflicts of interest arising from a single entity setting the strategic direction of the codes that govern the industry; setting the market conditions; planning; and operating the network. We believe that Ofgem should consider how to ensure that the TOs' and wider stakeholders' expertise and skills, as well as any concerns and feedback, are factored into the decision making of the NESO's ISOP when setting the strategic direction of codes, setting market conditions, and planning the network. We would therefore advocate that there is an effective and efficient escalation, appeal, and governance processes, led by Ofgem, in place if these are required.

We are supportive of Ofgem's expectations of the ISOP in relation to the Regional Energy Strategic Planners (RESPs) having to collaborate effectively with impacted stakeholders to further define the processes and methodologies associated with the RESPs. We would encourage Ofgem to set out the process for stakeholders to raise feedback on the ISOP's functions and effective delivery of its roles and responsibilities if this will not be collated via a consultation or call for evidence.

Yours sincerely,



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