

**To:**

**National Energy System Operator Limited**

**Direction under Part B of Conditions F5 (Financial Model and Handbook) of the Electricity System Operator Licence and F4 (Financial Model and Handbook) of the Gas System Planner Licence to issue the Financial Handbook**

1. The company to which this direction is addressed is the holder of an Electricity System Operator Licence ("ESO Licence") treated as granted under Section 6(1)(da) of the Electricity Act 1989 and a Gas System Planner Licence ("GSP Licence") granted under Section 7AA of the Gas Act 1986.
2. The Gas and Electricity Markets Authority ("the Authority")<sup>1</sup> issues this direction, under Conditions F5.9 of the ESO Licence (Financial Model and Handbook) and F4.9 of the GSP Licence (Financial Model and Handbook), to issue and put into effect the Financial Handbook.
3. On 6 September 2024 the Authority published the text of the proposed Financial Handbook on the Authority's Website<sup>2</sup> and requested that any representations were made by 5 October 2024.
4. We received one representation to our consultation, which we have carefully considered. We have placed this non-confidential representation on our website. The respondent suggested a number of wording changes to provide more clarity, remove duplicative and redundant text, and to streamline the annual process and reporting timelines. Our response to this representation is set out in the decision letter published alongside this direction.
5. In order to address the minor issues raised in the consultation response, it is necessary to make a number of minor alterations to the proposed text of the Financial Handbook. We have set out these alterations in the decision letter published alongside this direction.

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<sup>1</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority (GEMA) in its day to day work.

<sup>2</sup> [Consultation on the National Energy System Operator Financial Handbook | Ofgem](#)

6. The reason for this direction is to issue and put into effect the Financial Handbook published on our website on 15 October 2024 which sets out the principles and methodologies that will apply in the implementation and operation of the NESO Financial Model and the NESO Legacy Closeout Model.
7. This direction is our notice of reasons for the purposes of section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
8. Now the Authority, pursuant to Condition F5.9 of the ESO Licence (Financial Model and Handbook) and Condition F4.9 of the GSP Licence (Financial Model and Handbook) hereby directs that the Financial Handbook, published on our website on 15 October 2024, is issued and will have effect from 15 October 2024.

**Michael Watson**

**Chief Financial Advisor**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**15 October 2024**