



Making a positive difference
for energy consumers

Steve Rowe
Compliance Officer
Sent via email

Direct Dial: 020 7901 7000
Email: Eleanor.Warburton@ofgem.gov.uk

Date: 12 May 2021

Dear Steve,

Approval of National Grid Electricity System Operator's (NGESO) compliance documents pursuant to Special Condition 2.3 (Business Separation requirements and compliance obligations)

Following the partial transfer of National Grid Electricity Transmission's (NGET) electricity transmission licence to NGESO on 1 April 2019, NGESO submitted the following compliance documents in accordance with Special Condition 2.3 (Business separation requirements and compliance obligations)¹ of NGESO's electricity transmission licence on 30 April 2019:

- a) NGESO's business separation compliance statement;
- b) the proposed form of NGESO's annual business separation compliance report; and
- c) the proposed form of NGESO's business separation compliance certificate.

Following discussions between Ofgem and NGESO, Ofgem directed changes to the business separation compliance statement on 25 August 2020 pursuant to Special Condition 2.3.17(b).

As the directed changes have been made to the compliance statement and in accordance with Special Condition 2.3 this letter confirms our approval of NGESO's business separation

¹ At the time of submission the relevant licence obligation was Special Condition 20 (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its System Operator Functions)

compliance statement, the proposed form of NGESO's annual business separation compliance report and the proposed form of NGESO's business separation compliance certificate.

For the avoidance of doubt, this approval confirms that NGESO is meeting its *existing* relevant businesses separation licence obligations with respect to the ESO's compliance documents. Following our recent work to determine the ESO's RII02 price control² and our review of GB system operation,³ we will continue to consider whether the existing business separation obligations require modification, or whether new obligations are required, to ensure that the ESO is best placed to deliver its important role in achieving the UK's net zero emissions target at lowest cost to consumers.

Following this approval, we expect the ESO to review these documents and revise them as necessary, as required by Special Condition 2.3. This includes when circumstances have changed since Ofgem's direction in August 2020.

Yours sincerely,

Eleanor Warburton
Deputy Director, ESO and Gas Systems

² <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

³ <https://www.ofgem.gov.uk/publications-and-updates/review-gb-energy-system-operation>