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National Grid ESO response to the Energy Code Governance Reform: Call for Input

Dear Sir/Madam,

This response is on behalf of National Grid Electricity System Operator (NGESO) and is not confidential. National Grid ESO is the Electricity System Operator for Great Britain. We balance electricity around the country second by second to ensure that the right amount of electricity is where it's needed, when it's needed, always keeping supply and demand in balance. As Great Britain transitions towards a low-carbon future, our mission is to enable the sustainable transformation of the energy system and ensure the delivery of reliable, affordable energy for all consumers. We use our unique perspective and independent position to facilitate market-based solutions which deliver value for consumers.

The ESO is the Code Administrator for the Connection and Use of System Code (CUSEC), the Grid Code and System Operator - Transmission Owner Code (STC). We also have a similar role related to administering the Security and Quality of Supply Standards (SQSS). We use our expertise and knowledge of the electricity system to inform development of the industry codes.

We agree that the governance of industry code development in our energy system requires reform. Strategic change in the energy sector cannot be delivered efficiently under the current framework and we believe that, without action, it will continue to be an increasing barrier to innovation, competition and consumer value; negatively impacting Great Britain's net zero ambitions.

The Energy Bill that is currently progressing through parliament will result in the transition of the ESO from the National Grid Group to an Independent System Operator and Planner (ISOP) role. The bill sets out how a fully independent system operator will help to transform Great Britain's energy system and cut customers' energy bills. Critically, as the ISOP or Future System Operator, the FSO will ensure the building of a smart, efficient and flexible system that moves Britain to a secure low carbon energy system. The prerequisites of the FSO – independence, expertise, and a greater ability to set future strategy and advise - are similar to those desired for Code Managers and we consider that these roles will continue to be aligned. We therefore consider that there are benefits in the FSO playing continuing to play a central role in the code process due to our wide expertise in the industry codes, development of markets to support the electricity system and our understanding of the technical requirements needed for further development.

We would note that within the current timescales the FSO transition will take place before Energy Code Reforms are enacted. We are supportive of this approach as this will reduce the likelihood of interactive changes – removing complexity, and allows Energy Code Reform to take place in an environment with an operational FSO/ISOP allowing clarity in the arrangements from that point.

We are supportive of a shift to a governance model which achieves excellence in both strategy and delivery. We also share the sense of urgency that Net Zero places on us collectively as an industry and we are generally supportive of the proposed options within the Call for Input in 3 key areas:

- Code Consolidation
- Code Manager Licensing
- Stakeholder Advisory Forum

Our responses have been provided on the basis of a new governance process being established with empowered Code Managers taking decisions and progressing a strategic change plan. As the detail of how this would work is not in this Call for Input we have not expanded as much in some areas of this response and we are looking forward to the opportunity of working with Ofgem and other industry parties to develop the detail around the Code Manager expectations/roles and new governance processes.

There are several key considerations in our response which we believe are important to highlight:

- Code Managers will only be accepted by industry if they are viewed as unbiased., This is also the basis of the FSO (or Independent System Operator and Planner (ISOP) in the Energy Bill).
- Energy Code Reform will deliver maximum value by administering an unbiased process with the ability to deploy knowledge and expertise to guide and support industry discussions.
- Having fewer codes will be of limited value unless they are first made more concise, less complex and contain standardised change processes.
- The role of Code Manager is not clear or defined at this stage – in order for candidates to express firm interest in these roles, more detail is required to understand the responsibilities and tasks of a code manager.
- We consider that the development of industry codes particularly in the charging and technical areas are crucial to the goal of GB reaching net zero. The FSO could play a central role in these areas where it also holds unique skills and knowledge - a key example of this is the recent work on Grid Forming.

Our detailed response to your questions is appended to this letter using the official format. We welcome the opportunity to further discuss the points raised in this response and look forward to working with BEIS, Ofgem, and industry as these reforms continue to be worked through. Should you require further information or wish to discuss any element of our response please contact Claire Huxley at Claire.huxley@nationalgrideso.com in the first instance.

Yours sincerely

Claire Dykta
Head of Markets
National Grid Electricity System Operator

Appendix 1 – Detailed response

Energy Code Reform: Call for Input Document