



National Energy System Operator and Elexon

Decision Notice

Establishment of the Independent System Operator and Planner

1. In this Decision Notice the Secretary of State and the Gas and Electricity Markets Authority (GEMA) make a number of decisions. These are for or in connection with establishing, and designating National Grid Electricity System Operator Limited (NGESO), which is to be renamed National Energy System Operator Limited (company registration number 110142226) as, the Independent System Operator and Planner (the ISOP), with effect from 00:00 hours on 1st October 2024 (Day 1).

Elexon ownership

2. In anticipation of acquiring the shares of NGESO immediately prior to its designation as ISOP, on 24 January 2024, the Secretary of State and GEMA consulted¹ on new ownership arrangements for Elexon Limited. This included modifications to the Balancing and Settlement Code (BSC), and to the standard conditions of electricity supply and generation licences, to support implementation of those new ownership arrangements. The Secretary of State and GEMA published a response² to that consultation on 21 August 2024, which set out the effect of the proposed modifications, how the Secretary of State has taken account of representations made in response to the consultation, and the reasons for any differences between the modifications specified in the consultation and in the response. Those parts of the response are treated as repeated in this Decision Notice.
3. On the basis of the conclusions in that response to consultation, the Secretary of State decides, with effect from Day 1:
 - (a) in accordance with Section 169(1)(c) of the Energy Act 2023 (the Act), to modify the BSC (including the form of Elexon's Articles of Association as prescribed under the BSC) as set out in Annex A1; and the BSC is hereby so modified;
 - (b) in accordance with Section 169(1)(a) of the Act, to modify the standard conditions of electricity supply and generation licences as set out in Annexes A2 and A3; and those conditions are hereby so modified.
4. The Secretary of State notes that, following the above decisions, the Secretary of State has decided to direct certain licence holders to hold shares in Elexon and (in exercise of powers in paragraph 1 of schedule 9 of the Energy Act 2023) to make a transfer scheme in respect of those shares, with effect from Day 1, to implement those new ownership arrangements.

¹ <https://www.gov.uk/government/consultations/future-ownership-of-elexon-licence-and-code-changes>

² <https://www.gov.uk/government/consultations/future-ownership-of-elexon-licence-and-code-changes>



Acquisition of NGESO

5. The Secretary of State notes that, having consulted National Grid Holdings One plc and other parties which the Secretary of State thinks appropriate, and following the decisions to implement the change in Elexon ownership, the Secretary of State has decided to exercise the powers in paragraph 1 of schedule 9 of the Energy Act 2023 in order to acquire, with effect from Day 1, 100% of the share capital of NGESO by making a transfer scheme. Taking into account that the public interest requires that the transfer scheme has effect without termination of contracts in NGESO's supply chain, the transfer scheme prevents a right of pre-emption, right of reverter, right of forfeiture, right to compensation, right to terminate or other similar right under any contract to which NGESO is a party from arising or becoming exercisable as a result of the transfer effected by the transfer scheme.

Energy Act Commencement Order

6. In order to bring into force on Day 1 provisions of the Act³ that amend the Electricity Act 1989 and Gas Act 1986 for the purposes of the licensing of the ISOP, the Secretary of State will make the necessary commencement regulations.

Licensing of the ISOP and consequential modifications of conditions of other licences

7. The Secretary of State and GEMA consulted on 28 March 2024 on proposed terms and conditions of an Electricity System Operator Licence and a Gas System Planner Licence to be held by the ISOP; on a licensing direction by which NGESO's Transmission Licence would have effect and continue in force as the Electricity System Operator Licence; and on consequential modifications of the conditions of other licences under the Electricity Act 1989 and the Gas Act 1986⁴. The Secretary of State and GEMA published a response⁵ to that consultation on 29 August 2024, which set out the terms and conditions of an Electricity System Operator Licence and a Gas System Planner Licence to be held by the ISOP, and the consequential modifications of licence conditions. The response, together with an Issues Log⁶ and Reasons & Effects Document⁷ published by Ofgem at the same time, sets out the effect of those terms and conditions and modifications, how the Secretary of State has taken account of representations made in response to the consultation, and the reasons for any differences between the licence terms and conditions and licence modifications specified in the consultation and in the response. Those parts of the response, Issues Log and Reasons & Effects Document are treated as repeated in this Decision Notice.
8. On the basis of the conclusions in that response to consultation, the Secretary of State decides, with effect from Day 1:
 - (a) in accordance with Section 167(1) of the Act, to make the Electricity Licensing Direction in the form in Annex B1;

³ Sections 166(2) and 168(2).

⁴ <https://www.ofgem.gov.uk/consultation/national-energy-system-operator-neso-licences-and-other-impacted-licences-statutory-consultation>

⁵ <https://www.ofgem.gov.uk/decision/response-statutory-consultation-national-energy-system-operator-licences-and-other-impacted-licences>

⁶ <https://www.ofgem.gov.uk/decision/response-statutory-consultation-national-energy-system-operator-licences-and-other-impacted-licences>

⁷ https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_A_Reasons_and_Effects.pdf



- (b) in accordance with Section 7AA of the Gas Act 1986, to grant to NGESO the Gas System Planner Licence in the form in Annex B2;
- (c) in accordance with Section 169(1)(b) of the Act, to modify the standard conditions of the classes of licence specified in Annex C as set out in Annexes C1 to C6; and those conditions are hereby so modified; and
- (d) in accordance with Section 169(1)(a) of the Act, to modify the conditions of the licences specified in Annex D as set out in Annex D1 to D6; and those conditions are hereby so modified.

Modification of codes

9. GEMA (on its behalf and on behalf of the Secretary of State) consulted on 22 May 2024 on proposed modifications to the Codes⁸. GEMA (on its behalf and on behalf of the Secretary of State) published a response⁹ to that consultation on 29 August 2024, which set out the effect of the proposed modifications, how the Secretary of State and GEMA have taken account of representations made in response to the consultation, and the reasons for any differences between the modifications specified in the consultation and in the response. Those parts of the response are treated as repeated in this Decision Notice.
10. On the basis of the conclusions in that response to consultation:
- (a) the Secretary of State decides, with effect from Day 1, in accordance with Section 169(1)(c) of the Act, to modify the Codes specified in Annex E as set out for the Secretary of State in Annexes E1 to E8; and those Codes are hereby so modified;
 - (b) GEMA decides, with effect from Day 1, in accordance with Section 169(1)(c) of the Act, to modify the Codes specified in Annex E (and in the case of the BSC, code subsidiary documents) as set out for GEMA in Annexes E1 to E8; and those Codes and documents are hereby so modified.

Designation of ISOP

11. Finally, on the basis of the decisions of the Secretary of State and GEMA set out above, and having concluded that all other requisite steps to prepare for the designation of NGESO as the ISOP have been satisfactorily completed, the Secretary of State decides, in accordance with Section 162(1) of the Act, to designate NGESO with effect from Day 1 as the ISOP, and NGESO is hereby so designated.

Effect of this Notice

12. The decisions in this Decision Notice are taken in the order in which they are set out above; and those decisions and the matters to which they relate are effective on Day 1 in that order.
13. This Decision Notice operates as notice:
- (a) under Section 170(4) of the Act, of the decisions to modify:
 - (i) the BSC (Annex A1)

⁸ <https://www.ofgem.gov.uk/sites/default/files/2024-05/EA23%20ISOP%20Codes%20Modification%20%20Consultation%20Document.pdf>

⁹ <https://www.ofgem.gov.uk/decision/response-statutory-consultation-modifications-industry-codes-implement-independent-system-operator-and-planner-isop>



- (ii) the standard conditions of electricity generation and supply licences (Annexes A2 and A3)
 - (iii) the standard conditions of certain classes of licence (Annex C)
 - (iv) the conditions of certain licences (Annex D)
 - (v) the Codes (Annex E)
- (b) under Section 162(1) of the Act, of the designation of NGENSO as ISOP.

Dated: 12th September 2024

Emily Bourne

For and on behalf of the Secretary of State

Grendon Thompson

For and on behalf of the Gas and Electricity Markets Authority



Glossary

In this Decision Notice the following abbreviations are used:

Act: the Energy Act 2023

BSC: Balancing and Settlement Code

Code: each of the industry codes specified in Annex E

Day 1: 00:00 hours on 1st October 2024

Elexon: Elexon Limited (as BSCCo in the BSC)

GEMA: the Gas and Electricity Markets Authority

ISOP: Independent System Operator and Planner

NGESO: National Grid Electricity System Operator Limited

Annexes to Decision Document

Each Annex is the document or documents to which a link is provided below.

Annex A1 – Modifications of the Balancing and Settlement Code (including the prescribed form of the Articles of Association of Elexon), as shown marked in Appendix 2 of this document:

- <https://www.gov.uk/government/consultations/future-ownership-of-elexon-licence-and-code-changes>

Annex A2 - Modification of the Standard Conditions of Electricity Supply Licences, by amending Condition 1 and adding new Condition 60 as set out in paragraph 4.1.2 of this document:

- <https://www.gov.uk/government/consultations/future-ownership-of-elexon-licence-and-code-changes>

Annex A3 - Modification of the Standard Conditions of Electricity Generation Licences, by amending Condition 1 and adding new Condition 21 as set out in paragraph 4.1.2 of this document:

- <https://www.gov.uk/government/consultations/future-ownership-of-elexon-licence-and-code-changes>

Annex B1 – Electricity Licensing Direction and Terms and Conditions

- <https://www.gov.uk/government/publications/designation-of-the-national-energy-system-operator-neso>

Annex B2 – Gas System Planner Licence Terms and Conditions

- <https://www.gov.uk/government/publications/designation-of-the-national-energy-system-operator-neso>

Annex C – Modification of the Standard Conditions of the following classes of licence, as shown marked in these documents:

- Annex C1 – Electricity Transmission Standard Licence Conditions



- [https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity Transmission Consolidated Standard Licence Conditions Marked up.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity_Transmission_Consolidated_Standard_Licence_Conditions_Marked_up.pdf)
- Annex C2 – Electricity Generation Standard Licence Conditions
 - [https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity Generation Standard Licence Conditions Marked up.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity_Generation_Standard_Licence_Conditions_Marked_up.pdf)
- Annex C3 – Electricity Interconnector Standard Licence Conditions
 - [https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity Interconnector Standard Licence Conditions Marked up.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity_Interconnector_Standard_Licence_Conditions_Marked_up.pdf)
- Annex C4 – Electricity Supply Standard Licence Conditions
 - [https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity Supply Standard Consolidated Licence Conditions Marked up.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity_Supply_Standard_Consolidated_Licence_Conditions_Marked_up.pdf)
- Annex C5 – Electricity Distribution Standard Licence Conditions
 - [https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity Distribution Standard Licence Conditions Marked up.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity_Distribution_Standard_Licence_Conditions_Marked_up.pdf)
- Annex C6 – Gas Transporter Standard Licence Conditions
 - [https://www.ofgem.gov.uk/sites/default/files/2024-08/Gas Transporter Consolidated Standard Licence Conditions.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/Gas_Transporter_Consolidated_Standard_Licence_Conditions.pdf)

Annex D - Modification of the Conditions of the following licences or classes of licence, as shown marked in these documents:

- Annex D1 – National Grid Electricity Transmission plc: Transmission Licence Special Conditions
 - [https://www.ofgem.gov.uk/sites/default/files/2024-08/National Grid Electricity Transmission Consolidated Special Conditions_Marked_up.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-08/National_Grid_Electricity_Transmission_Consolidated_Special_Conditions_Marked_up.pdf)
- Annex D2 – SP Transmission plc and Scottish Hydro Electric Transmission plc: Transmission Licence Special Conditions
 - <https://www.ofgem.gov.uk/sites/default/files/2024-08/SPTL%20and%20SHETP%20Special%20Conditions.zip>
- Annex D3 – Electricity Distribution Licence Special Conditions (including additional changes to Scottish Hydro Electric Power Distribution plc's Special Conditions only)
 - <https://www.ofgem.gov.uk/sites/default/files/2024-08/Electricity%20Distribution%20Licence%20Special%20Conditions.zip>
- Annex D4 – Smart Meter Communication Licence



- https://www.ofgem.gov.uk/sites/default/files/2024-08/Smart_Meter_Communication_Licence_Marked_up.pdf
- Annex D5 – National Gas Transmission plc (NGT): Gas Transporter Licence (Part C) Special Conditions
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/National_Gas_Transmission_plc_NTS_Consolidated_Special_Conditions.pdf
- Annex D6 – Gas Transporters to whom Standard Special Conditions Part D apply: Gas Transporter Licence Special Conditions
 - <https://www.ofgem.gov.uk/sites/default/files/2024-08/Gas%20Transporters%20Standard%20Special%20Conditions%20Part%20D.zip>
- Annex D7 – Gas Transporter Standard Special Conditions (Part A)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/National_Gas_Transmission_plc_Standard_Special_Condition_PART_A_Consolidated.pdf

Annex E - Modification of the following Codes, as shown marked in these documents¹⁰. The modifications shown highlighted in green are made by the Secretary of State and the remaining modifications are made by the Authority:

- Annex E1 – Balancing and Settlement Code (BSC)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_B_BSC.zip
- Annex E2 – Connection and Use of System Code (CUSC)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_E_CUSC.zip
- Annex E3 – Distribution Code (D Code)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_C_Distribution_Code.zip
- Annex E4 – Distribution Connection and Use of System Agreement (DCUSA)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_D_DCUSA.zip
- Annex E5 – Grid Code
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_F_Grid_Code.zip
- Annex E6 – System Operator Transmission Owner Code (STC)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_G_STC.zip
- Annex E7 – Security and Quality of Supply Standard (SQSS)

¹⁰ Note: in the links these documents are named Annexes B, E, C, D, F, G, H and I respectively.



- https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_H_SQSS.zip
- Annex E8 – Uniform Network Code (UNC)
 - https://www.ofgem.gov.uk/sites/default/files/2024-08/Annex_I_UNC.zip