

To: National Energy System Operator Limited (11014226)

**Electricity Act 1989  
Section 11A 1(a)**

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**Modification of conditions A1 and E7 of the electricity system operator licence held by the licensee named above**

1. National Energy System Operator Limited ('NESO') is the holder of an electricity system operator licence ('the Licence') granted or treated as granted under section 6(1)(da) and 6(1ZA) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act, the Gas and Electricity Markets Authority ('the Authority'<sup>1</sup>) gave notice on 8 October 2024 ('the Notice'<sup>2</sup>) of its proposal to modify conditions A1 (Definitions) and E7 (Transmission system security standard and quality of service) of this Licence.
3. The Authority stated that any representations to be made in respect of the proposed modifications must be made on or before 6 November 2024.
4. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act. The Authority has not received a direction that the change should not be made.
5. The Authority received four representations with respect to the proposed modifications.
6. The Authority has properly and comprehensively taken account of all representations.
7. All non-confidential responses have since been published on the Authority's website.
8. Particulars of the aforementioned modifications to the Licence are set out in Schedule 1 to this Notice.
9. We have decided to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in yellow highlight and double underlined in the attached Schedule 1. They are intended to address comments made by respondents to the consultation, further detail on which can be found in the letter published alongside this Notice.
10. The reasons for the modifications are set out in the accompanying decision letter.
11. The effect of these proposed modifications is to:

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

<sup>2</sup> [SQSS code maintenance: Statutory consultation on proposed modifications to the electricity system operator and electricity transmission licences | Ofgem](#)

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- (a) Define in the Licence the National Electricity Transmission System Security and Quality of Supply Standard (SQSS) and its applicable objectives.
  - (b) Place an obligation on the licensee to maintain, have in force, implement and comply with the SQSS. This would have the effect of enabling the Secretary of State to designate the SQSS as a 'qualifying document' within the meaning of paragraph 1(1) of Schedule 12 to the Energy Act 2023.
  - (c) Establish in the Licence a set of applicable objectives for the SQSS, which mirror those of the current voluntary SQSS Governance Framework.<sup>3</sup>
  - (d) Place an obligation on the licensee to modify the SQSS where necessary (without prejudice to the Authority's right of approval) to ensure that it includes the provisions set out in paragraph E7.14 of the proposed amended standard condition E7 of the Licence. This includes provisions for a panel body, a secretarial or administrative person or body, and for the modification procedures set out in paragraph E7.15 of the proposed amended standard condition E7.
  - (e) Establish a power for the Authority to approve modifications to the SQSS, where it is of the opinion that any such modifications would better facilitate the applicable SQSS objectives.
  - (f) Establish that the licensee can only modify the SQSS with the consent of the Authority.

12. The reasons for, and effect of, the modifications are further discussed and explained in our consultation on these modifications, published on 8 October 2024,<sup>4</sup> and in the letter we have published alongside this Notice.

13. Where any application for permission to appeal our decision is made to the Competition and Markets Authority ('CMA') under section 11C of the Act, then Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules<sup>5</sup> requires the appellant to send, to any relevant licence holder(s) which is not a party to the appeal, a non-sensitive notice setting out the matters required in Rule 5.2. Schedule 2 to this Notice provides a list of relevant licence holders in this instance. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

14. Accordingly, pursuant to the power provided by section 11A(1)(a) of the Act, the Authority has decided to make the modifications in the manner specified in Schedule 1 to this Notice.

15. The modifications will have effect from 7 February 2025.

16. For the purposes of section 49A(2) of the Act, this Notice states the reasons for the Authority's decision to make the aforementioned modifications, so far as the Authority considers appropriate for the purpose of bringing the matters to which the Notice relates to the attention of persons likely to be interested.

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<sup>3</sup> [SQSS Code Documents | National Energy System Operator](#)

<sup>4</sup> [SQSS code maintenance: Statutory consultation on proposed modifications to the electricity system operator and electricity transmission licences | Ofgem](#)

<sup>5</sup> CMA70 [Energy licence modification appeals: rules](#)

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*Carmel Golden*

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

**11 December 2024**

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## **Schedule 1: Modifications to conditions A1 and E7 of the electricity system operator licence**

We have included the applicable parts of standard conditions E1 and E7 below. All changes are shown using strikethrough for deletions and double underlining for new text (with any new changes made in response to our consultation on 8 October 2024 also highlighted in yellow).

### **Standard condition A1. Definitions**

*After the definition for 'Applicable Grid Code Objectives', add:*

Applicable SQSS objectives – means the objectives set out in condition E7 (Transmission system security standard and quality of service), paragraph E7.4.

*After the definition for 'National Electricity Transmission System Operator Area', add:*

"National Electricity Transmission System Security and Quality of Supply Standard (SQSS)" – means the security and quality of supply standard provided for in condition E7, as from time to time modified in accordance with that condition.

### **Standard condition E7 Transmission system security standard and quality of service**

#### **Introduction**

E7.1 The purpose of this condition is to establish the licensee's obligations in relation to the National Electricity Transmission System security and quality of supply standard (SQSS).

#### **Part A: National Electricity Transmission System security and quality of supply standard (SQSS)**

E7.2 The licensee must maintain, have in force, implement, and comply with (subject to paragraphs E7.4 and E7.14) the SQSS.

~~E7.32~~ Subject to any Connect and Manage Derogation made under paragraphs E7.~~53~~, E7.~~64~~ and E7.~~75~~ of this condition, the licensee must:

- (a) plan, develop and operate the National Electricity Transmission System; and
- (b) coordinate and direct the flow of electricity onto and over the National Electricity Transmission System, in accordance with the SQSS~~National Electricity Transmission System Security and Quality of Supply Standard as in force at the relevant time~~, together with the STC, the Grid Code or such other standard of planning and operation as the Authority may approve from time to time, and with which the licensee may be required to comply (following consultation, where appropriate, with any Authorised Electricity Operator liable to be materially affected thereby).

E7.4 The SQSS is designed to facilitate the achievement of the following objectives:

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- (a) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner;
  - (b) ensure an appropriate level of security and quality of supply and safe operation of the National Electricity Transmission System;
  - (c) facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
  - (d) facilitate electricity Transmission Licensees to comply with any relevant obligations under assimilated law.

### **Part B: Derogation conditions**

E7.53 Before making a Connect and Manage Offer in accordance with condition C11, the licensee must determine whether, if it were to make that Connect and Manage Offer, it would comply with paragraph E7.32 at the Connection Date. If the licensee determines that making that Connect and Manage Offer would be inconsistent with its obligations under paragraph E7.32, the licensee must determine by reference to the Connect and Manage Derogation Criteria whether, and to what extent, a Connect and Manage Derogation is required and appropriate and subsequently produce a Connect and Manage Derogation Report.

E7.64—Where a Connect and Manage Derogation Report is submitted to the licensee by a Transmission Licensee as part of an Associated TO Offer, the licensee must:

- (a) determine whether the Connect and Manage Derogation detailed in the Connect and Manage Derogation Report satisfies the Connect and Manage Derogation Criteria; and
- (b) if it does not satisfy such criteria, advise the relevant Transmission Licensee as soon as reasonably practicable following receipt of the Associated TO Offer that it proposes to raise a dispute under the STC in respect of the Associated TO Offer. The licensee shall be deemed to have approved the Connect and Manage Derogation on acceptance of the Associated TO Offer.

E7.75 Where the licensee determines that a Connect and Manage Derogation is required to enable it to make a Connect and Manage Offer, the licensee is not required to comply with the requirements of paragraph E7.32 (to the extent of the Connect and Manage Derogation) until the Wider Works relevant to that Connect and Manage Connection have been completed.

### **Part C: Reporting and statements**

E7.86 The licensee must have in force a statement approved by the Authority following consultation with any relevant Authorised Electricity Operator setting out the

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criteria by which system availability, security and service quality of the National Electricity Transmission System may be measured and where such measurement is dependent on information provided to the licensee by the Transmission Owner, the statement must specify the information to be so provided.

E7.97 The licensee must, within 4 months after the end of each Financial Year, submit to the Authority a report providing details of system availability, security and service quality of the National Electricity Transmission System during the previous Financial Year against the criteria referred to in paragraph E7.86 and must publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.

E7.108 The Authority may (following consultation with the licensee and, where appropriate, any relevant Authorised Electricity Operator) issue directions relieving the licensee of its obligations under paragraph E7.32 in respect of such parts of the National Electricity Transmission System and to such extent as may be specified in the directions.

E7.119 The licensee must give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph E7.32 (as from time to time amended) to the Authority.

E7.1210 The licensee must (subject to paragraph E7.108) give or send a copy of the documents (as from time to time revised) referred to in paragraph E7.86 to any person requesting the same.

E7.131 The licensee may charge for any copy given or sent in accordance with paragraph E7.1210 of an amount, which will not exceed any amount specified for the time being for the purpose of this condition in a direction issued by the Authority.

#### **Part D: Code maintenance**

E7.14 The SQSS must provide for:

- (a) The procedures established pursuant to paragraph E7.15.
- (b) The SQSS panel, a panel body as specified in the SQSS, whose functions shall include the matters required by this condition and as set out in the SQSS and any ancillary documents, and whose composition shall include a chairperson.
- (c) a secretarial or administrative person or body as specified in the SQSS or ancillary document.

E7.15 The licensee must establish and operate procedures for the modification of the SQSS (including procedures for the modification of the modification procedures themselves) so as to better facilitate achievement of the Applicable SQSS objectives, where procedures shall provide:

- (a) for proposals for the modification of the SQSS to be made by a member of the panel, the Authority, or a relevant interested person;
- (b) Where a proposal is made in accordance with paragraph E7.15(a):

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- (i) for bringing the proposal to the attention of the Authority and any persons as may properly be considered to have an appropriate interest in it (including consumer representatives), such as by publishing it on the licensee's website;
  - (ii) for proper consideration of any representations on the proposal (including representations made by small participants and consumer representatives);
  - (iii) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable SQSS objectives, provided that so far as any such evaluation requires information that is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph E7.4;
  - (iv) for preparing and sending to the Authority, as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution of the steps in sub-paragraphs (i-iii), an SQSS panel report:
    - 1. setting out the proposed modification
    - 2. evaluating the proposed modification, and
    - 3. assessing the extent to which the proposed modification would better facilitate achieving the Applicable SQSS Code Objectives and providing a detailed explanation of the SQSS Panel's reasons for that assessment.

E7.16 If a report has been submitted to the Authority in accordance with condition E7.15(iv), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the SQSS, better facilitate achieving the applicable SQSS objectives, the Authority may issue directions requiring the licensee to modify the SQSS in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.

E7.17 The licensee must only modify the SQSS with the consent of the Authority and it must not modify the SQSS in any other circumstance; and the licensee shall furnish the Authority with a copy of any modification made.

E7.18 Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and must modify the SQSS where necessary no later than 31 March 2025.

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## **Schedule 2: Relevant licence holders**

National Energy System Operator Limited