

Email to:

FSO@ofgem.gov.uk

cc: futuresystemoperator@beis.gov.uk

20 October 2023

Dear Future System Operation Team,

Response to Future System Operator: second policy consultation and project update and FSO Draft Licences Consultation

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 330-plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables welcomes the opportunity to respond to two concurrent consultations: Ofgem's consultation on the FSO Draft Licences, and Ofgem and the Department for Energy Security and Net Zero's (DESNZ) joint FSO Second Policy Consultation and Project Update.

FSO policy development and deliverables

Currently, we have observed a fragmented approach, with limited transparency, to the policy development of the FSO's roles and responsibilities, rather than an overarching consultative policy development process.

Despite this consultation proposing licence changes and governance around the FSO, this observation remains unchanged. Overall FSO roles and responsibilities remain unclear. The scope of the FSO's role appears to be being developed through multiple, concurrent consultations. For example, these consultations on FSO licence drafting and the Second Policy Consultation and Project Update are being conducted alongside another Licence consultation to modify the Special Conditions of the Electricity Transmission Licence held by National Grid Electricity System Operator Limited¹, with policy also being developed via the Centralised Strategic Network Plan consultation.

¹ <https://www.ofgem.gov.uk/publications/statutory-consultation-proposal-modify-special-conditions-electricity-transmission-licence-held-national-grid-electricity-system-operator-limited-september-2023>

We would urge the Government and Ofgem to consider the existing roles, responsibilities and expertise of network companies when developing the FSO and how best the FSO and network companies can collaborate to deliver the best outcomes for GB consumers, building on the approach used for the Holistic Network Design (HND).

The sector is currently seeing a lot of proposed policy changes, as well as institutional and structural changes. While this can be concerning, especially if the changes are happening simultaneously, it's essential to understand how these policies will be implemented in the new institutional setup. For instance, if the Review of Electricity Market Arrangements (REMA) or a new licensing regime is introducing changes, it must be evident which organisation is responsible for which part of the implementation process. This information should be documented in detail so that people are aware of whom to contact for clarification.

Proposed FSO Security and Resilience Roles

We support the implementation of the FSO security and resilience roles. The roles and responsibilities of the FSO, alongside the UK Government and Ofgem need to be made clear. It will also be critical to clarify how the FSO role in system security and resilience interacts with existing TO and DNO roles in the same space. There needs to be clarity on the roles and responsibilities of each of the organisations.

It is essential the FSO can take a long-term view of system security and provide that insight to Ofgem, DESNZ, and other interested parties as part of its advisory role. Unless there is a demonstrable reason why revealing advice would present a risk to system security, this information should be made public, so industry stakeholders can understand and be informed by the advice and analysis that the FSO is providing to policymakers. As CCS generators begin to come online, the role will need to expand to include consideration of CO2 infrastructure. Where emergency planning for gas is undertaken by the FSO, there must be careful alignment with, and input from, the gas network system operator.

New power for the Secretary of State to direct the FSO in relation to national security, and duty on the FSO

If the Secretary of State is to be given the proposed national security power, and the FSO given a reciprocal duty of delivering actions for ensuring national security, this must be very tightly defined, and limited to long-term strategic threats to energy security.

We do recognise that there may be scenarios in which the Secretary of State may be required to intervene in the roles of the FSO where concerns relate to national security and therefore support the inclusion of this provision in the FSO's Licence however, we think it would be inappropriate for

the Secretary of State to have the power to become involved with the day-to-day operation of the system, decisions regarding cost-efficient system design for net-zero, or regarding connection timescales for specific projects. It is also essential that any directions from the Secretary of State do not conflict with existing emergency arrangements set out in statute and the energy codes.

We note the provision for the Secretary of State to relieve the FSO of its obligations under its Licence where the obligation conflicts with the direction. We also note that directions for the FSO from the Secretary of State could also impact the ability of electricity network licensees to comply with their licences, we would welcome clarity on whether similar provisions to relieve Licence obligations on network licensees are also to be included.

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

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