

Energy UK response to the Future System Operator second policy consultation

20 October 2023

About Energy UK

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology. Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes as well as businesses.

Consultation Questions

1. *Do you have any views on the proposed new security and resilience roles?*

Energy UK welcomes this consultation and broadly supports the proposals for the new security and resilience roles. However, there are a number of areas which require attention:

Data Transparency

As far as possible, industry and Ofgem must be given visibility of the data the Future System Operator (FSO) will use whilst carrying out its roles relating to security and resilience. This is vital to ensure that industry can take action as required in response to risks identified to support resilience of their assets and to enable Ofgem to scrutinise whether the FSO is behaving in an economically efficient manner. Both DESNZ and Ofgem have expressed support for the recommendations of the Energy Data Taskforce, which includes that data should be presumed open. This requirement should be included in the licence drafting for these roles.

Timelines

We would welcome greater transparency on the timelines over which these roles will be developed, including any transitional arrangements. This is particularly important given that the FSO will be adopting a number of obligations that currently sit elsewhere. Market participants have a large amount of expertise in both physical and cyber security, and would be happy to support the FSO in implementing the new roles, particularly where they require new resource to deliver them.

2. *Do you have any views on the proposed new National Security power, and duty on the FSO?*

Energy UK would welcome transparency on how the National Security power and duty interact with existing powers and legislation, particularly given that the powers appear to be broader than previously. It is important that the powers are only used in emergency

circumstances, and that where possible they don't interfere with market participants operating normally.

It is unclear from the drafting if the proposed powers allow the Secretary of State to direct the FSO to undertake or cease undertaking activities that affect only the FSO, or if the intent is that the FSO can be instructed to require third party market participants to undertake or cease certain activities. If the power would also apply to instructions given by the FSO to third party market participants,, there is limited detail on how market participants would be compensated.

Further considerations that require attention include:

- Could the Secretary of State prevent the FSO taking services or energy from a generator or supplier owned or operated by a contentious 3rd party or country?
- Could the Secretary of State, via the FSO, force certain generators to run where to do so could be compromising the generator's safety limits?
- Could the Secretary of State also use this power to dictate specific operation or connection of specific projects?
- There is provision for the FSO to be relieved of its licence obligations where they conflict with an order from the Secretary of State. Would this need to be extended to all electricity licensees?