
ADE Response

OFGEM DRAFT DETERMINATIONS : NESO BUSINESS PLAN 3

30TH APRIL 2025

Context

On behalf of ADE: Demand, we welcome the opportunity to respond to this consultation on Ofgem's Draft Determinations for NESO's Business Plan 3.

Our vision, and what ADE: Demand exists to make happen, is no less than a complete re-imagining of the role of demand in our energy system so that:

1. Demand is given equal consideration to generation
2. Every household, commercial business and industrial site has a commercially viable path to decarbonisation
3. It is recognised that energy users and their assets have a day job - they shouldn't have to work around the energy system, the energy system should work around them
4. Millions of users with automated energy provision can play a major part in keeping the lights on.

ADE Response

Question 1) Do you agree with our proposal that the Business Plan reflects Government priorities from the Strategy and Policy Statement for energy policy in Great Britain, is built on the Electricity System Operator's original RIIO-2 ambitions and reflects wider stakeholder priorities?

We are supportive of Clean Power by 2030 as a strategic priority, given the importance of the NESO's role in unlocking a large volume of consumer-led flexibility that is needed to increase volumes by five times in the next five years. We see this priority as underpinning the further priorities set out by NESO, particularly in the value it can bring to consumers and appreciate NESO's emphasis on the importance flexibility will have on achieving this goal and that 44 full-time equivalents have been employed for this objective. NESO must continue with their objective of running the network carbon free for a few hours throughout 2025 to help the industry achieve Clean Power by 2030 and be pushing forward with progress on the full implementation of the Open Balancing Platform (OBP) to help move away from legacy IT systems. We agree that additional funding should be given to this in order to provide system wide value, improve forecasting and control room capabilities.

Removing the barriers that have been identified in the NESO Routes to Market Review workstream will be vital for achieving the Performance Objectives associated with this strategic priority and other priorities in the Business Plan. Currently, a large volume of low carbon flexible assets are unable to participate in flexibility services as a result of these barriers. As above, moving away from legacy IT systems and implementing effective improvements to NESO's digital processes in a timely manner will

be vital over the next 5 years to reach 10-12GW of consumer-led flexibility (CLF). Timelines to mitigate issues for the industry have previously been much slower than what is required and cannot continue throughout the BP3 price control period.

Q2. Do you agree with our proposal that the Performance Objectives comprise an ambitious one-year plan and sufficiently cover the key outcomes for the energy system and consumers during BP3? Are there additional key areas or outcomes that NESO should focus on for BP3?

As above, the Clean Power by 2030 strategic objective should be a focus for NESO during BP3 in order to achieve the Government's target for CLF over the next five years. To contribute towards this and as set out in our Demanding More report, the role of Power Responsive should also be re-considered during this price control period. This should include giving Power Responsive a stronger organisational mandate, a more direct link to licence obligations which gives equal incentive and weight to their work and incorporation within its remit of reform to NESO balancing markets. More focussed and regular engagement with industrial and commercial and domestic energy user representatives should also be organised by Power Responsive as NESO undergoes their transition, as well as undergoing work to achieve CP30 and wider market access.

Our views on specific Performance Objectives throughout BP3 are as follows:

Strategic Whole Energy Plans:

As set out in our response to the Draft Business Plan, it is positive that the Gas Options Advice Document (GOAD) has been integrated within Strategic Energy Planning for the value it brings to future cross - vector optimisation. Plans must be used for industry planning, with additional emphasis that demand utilisation is at the heart of NESO's remit and that industrial decarbonisation through a variety of pathways is well understood, specifically through the Regional Energy Strategic Plan (RESP). Heat network zoning and other large heat network infrastructure projects must also be properly reflected within plans, as well as the flexibility they can provide. It is positive that emphasis has been given to the importance of engaging with relevant industry for each of the Strategic Energy Plans and that these must be delivered on time if we are to achieve Clean Power by 2030.

Enhanced Sector Digitalisation and Data Sharing:

We agree with Ofgem's emphasis on the need for NESO to receive good feedback on accessibility of data from users in order to achieve this Performance Objective. Digitalisation is vital for the growth of consumer-led flexibility, given the distributed nature of flexible assets, with manual processes no longer being fit for purpose in this context. It is important that NESO delivers the measures on the timelines specified in their recent Digitalisation Plan proposal if we are going to reach our ambitions for consumer-led flexibility volume over the next five years. As set out in our response to Ofgem's Data Sharing Infrastructure (DSI) consultation, we will need far clearer communication from NESO on digitalisation objectives than has previously been the case. As laid out in Ofgem's response to the BP2 mid-scheme review, performance in relation to transparency, industry engagement and progress on skip rates and operational metering were 'significantly below expectations'. We have also experienced this across ancillary service and general market design that has disadvantaged independent flexibility providers and businesses wishing to participate directly in the service in comparison to energy suppliers.

IT incapacities pose increasing risks to achieving satisfactory outcomes for the electricity system, let alone the whole energy system. Since “changes on [NESO’s] legacy systems” are cited repeatedly over the years as reasons for delayed deliverables. In having the responsibility to carry out this role, NESO must ensure that a solution that works across the industry is implemented to fulfil the objectives of this work and make progress in IT developments that will benefit the industry.

We are glad to see the Department of Business and Trade’s (DBT’s) Invest 2035: The UK’s Modern Industrial Strategy referenced in the Digitalisation Performance Objective. However, it is unclear how BP3 might need to further integrate with the goals set out in the upcoming Industrial Strategy, especially when it comes to energy, infrastructure and connections reform. We would anticipate for the Industrial Strategy to be relevant to more BP3 Performance Objectives than just Digitalisation, so clarity from NESO on how they are considering this is needed.

Operating the Electricity System:

We do not agree with Ofgem’s decision on not wanting NESO to introduce a Skip Rates target under the Operating the Electricity System Objective. Given the slow progress that has been made by NESO on improving skip rates for many low carbon technologies, it would be highly beneficial for industry to have a target set by NESO and Ofgem for the BP3 period. As set out in our [Demanding More report](#), while the Balancing Programme has delivered some initial successes, including the launch of the Open Balancing Platform (OBP) that should have increased the ability to dispatch smaller units, complaints of skip rates have continued. This creates a large barrier to participation in consumer-led flexibility for a large proportion of flexible assets that is entirely non-conducive to our 2030 ambitions. The introduction of a target would increase accountability on NESO’s delivery of an improved skip rate along with providing industry with a marker for progress, which given our 2030 targets, would be of significant value. The skip rates Success Measure that has been proposed by NESO in their Business Plan should be implemented, including a target, delivery programme and roadmap.

Additionally, a specific category for Demand Side Response technologies is needed within the Platform for Energy Forecasting (PEF) data on skip rates, as this currently does not exist. Following the methodology report published at the end of last year having with no mention of the impact skip rates have on demand side response or flexibility procured through a Virtual Lead Party (VLP), we fail to see how the aims of increasing competition and enhancing control room products and processes will be achieved. This makes it especially difficult for DSR technologies to quantify the effect that skip rates is having on their participation in flexibility services and more importantly how this is being improved. This, alongside the establishment of a skip rates target could have a significant impact on this.

Connections Reform:

Connections Reform should be considered as a major deliverable within the Connections Reform Performance Objective, to create and implement an approach to accelerate demand connections. Whilst this is for transmission connected demand projects, not distribution, this is a positive move in the right direction that will also have a positive impact on the distribution connection queue. Adding a timeframe for Gate 2 projects to be given a connection is particularly valuable, setting an expectation for industry participants, providing they meet Gate 2 expectations.

Fit-for-purpose Markets:

Additional emphasis should be given to Ofgem's proposal that NESO must focus on the introduction of new technologies in their services, such as demand side response assets. As set out above, DSR technologies have previously not been able to access and participate in NESO markets to the same extent as traditional, typically not-low carbon assets, which cannot continue as the industry aims to reach CP30. Fundamental reforms, such as a reduction in skip rates and a permanent relaxation of operational metering requirements outside of the 300MW trial will be vital in achieving this and emphasises how NESO cannot be allowed to continue progressing this work at their current pace.

NESO should add more information in their Success Measures on how they are discussing market design decisions with the Market Facilitator and where relevant, Open Networks. Alignment across DSO and NESO flexibility markets is vital for facilitating access for many market participants, particularly smaller flexibility providers or those new to the industry. Finally, it is positive to see that the importance of the Routes to Market Review workstream emphasised by Ofgem. This will have a significant impact on the industries progress towards Clean Power by 2030 and the Low Carbon Flexibility Roadmap set to be published this Summer.

Secure and Resilient Energy Systems:

We agree with Ofgem's proposed additional requirements for the Success Measures under this Performance Objective.

Clean Power by 2030 Implementation:

We emphasise the importance of NESO's role in helping achieve Government's 2030 mission. We look forward to the Routes to Market Review Stage 3 to be published setting out how NESO intends to address key industry barriers.

Separated NESO Systems, Processes and Services:

Within our Demanding More report the ADE set out that the NESO licence must make provision for the separation of powers within NESO as they now represent a consolidation of power. Additionally, that ethical walls are built between teams within NESO that may incur actual or perceived conflicts of interest with one another to establish public trust.

Q3. Do you agree with our proposals for the individual Performance Objectives (and supporting Success Measures) as set out in this section? Are there any missing or incomplete Success Measures which Ofgem should set additional expectations for?

See above.

Q4. Is the information on NESO costs that we have provided in the Appendix 2 sufficient additional cost information? If not, what further information do you think NESO should make available publicly on its cost forecasts and value for money justification?

The ADE supports Ofgem's request for additional information from NESO on internal cost justification, given the large increase from the August 2022 BP3 estimations.

Q5. Do you agree with our proposal for Reported Metrics and the CMF?

In principle we agree with the metrics and the CMF.

FOR MORE INFORMATION, PLEASE CONTACT:

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