

# Energy UK response to Ofgem's Consultation on Business Plan 3 Draft Determinations – National Energy System Operator

**April 2025**

## 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.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources. The energy sector supports 700,000 jobs in every corner of the country.

Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to our Young Energy Professionals Forum, which has over 2,000 members representing over 350 organisations, we are a founding member of TIDE, an industry-wide taskforce to tackle Inclusion and Diversity across energy.

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## Executive Summary

Energy UK and its members would like to thank Ofgem for the opportunity to respond to this consultation on its Draft Determinations for the National Energy System Operator's Business Plan 3. We can confirm that we are happy for our response to be published.

Energy UK supports the strategic priorities as set out in the National Energy System Operator's (NESO) Business Plan 3 (BP3), and agrees that there is an appropriate continuance from previous Business Plans within the RIIO-2 period.

Energy UK is also supportive of NESO's Performance Objectives, but feels there are some areas that should rely upon more specific and quantitative KPIs than those currently set out in BP3. These should be made publicly available and easily accessible.

Energy UK would also like to see greater transparency of plans for costs for the BP3 period, to include a more granular breakdown of what exactly is due to be spent as part of each Performance Objective, as well as the associated benefits and value for money for industry and consumers.

## **Business Plan strategy**

On balance, Energy UK agrees that the strategic priorities as set out in the National Energy System Operator's (NESO) Business Plan 3 (BP3) represent a suitable focus for the organisation for the period April 2025 – March 2026. We feel that there is an appropriate continuance and expansion from previous Business Plans within the RIIO-2 period.

Energy UK does, however, question the rationale that NESO's BP3 has specific grounding in the Strategy and Policy Statement (SPS) for Energy Policy in Great Britain, given its publication under the previous Conservative Government is not necessarily reflective of current Government's priorities – with no reference to key ambitions, such as the Clean Power 2030 Mission.

Energy UK also has concerns over the lack of explicit plans for gas as part of BP3. Whilst we appreciate this is a newly inherited remit for NESO and many of its responsibilities won't come into effect until late 2026, it is important that this Business Plan reflects plans in preparation for its future activity surrounding, for example, the future of gas and storage (including hydrogen), as well as with gas consumers.

## **Performance objectives and measures of success**

Energy UK is broadly supportive of NESO's Performance Objectives. However, as outlined in [previous](#) consultation responses, Energy UK does not agree that a shift to outcome-based regulation should entail a move to 'light-touch' regulation.

Whilst NESO has generally met (or slightly exceeded) its targets in recent years, it has not by any great means exceeded them. There are areas where ongoing concerns from industry have not been adequately addressed, for example, in the administration of the Capacity Market Portal, and in addressing skip rates. These rely upon more granular targets than those currently set out in BP3, in order to ensure appropriate accountability and successful implementation.

While Energy UK does agree that Ofgem should consider how assessment methods can be better targeted and less resource-intensive (for both industry and Ofgem), we would like to see specific KPIs linked to each Performance Objective made publicly available and easily accessible. For example, members would like to see a more robust and quantitative target placed on skip rates.

This would not only provide greater clarity of direction for industry, but would also allow for a fair and structured approach to the distribution of performance-based financial incentives to individuals within NESO, once the scheme is fully in place.

In light of this move to an individual financial incentive scheme, Energy UK is also calling for greater transparency and attribution of individuals responsible for each Performance Objective, to allow for direct and seamless engagement surrounding different workstreams. Related to this, Energy UK feels that NESO should also be assessed on the quality of their engagement. Their role in connections reform, system access, system planning (including

RESP) and competition, amongst others, all need high quality industry engagement to ensure balanced and robust outcomes.

### **Cost and value for money**

In light of NESO's shift from a "for profit" to a "not-for-profit" model, Energy UK recognises the importance of its economic regulation through Ofgem.

As such, Energy UK would like to see greater transparency of plans for costs for the BP3 period, to include a more detailed and granular breakdown of what exactly is due to be spent as part of each Performance Objective, as well as the associated benefits/ value for money for industry and consumers.

We recognise that a growing priority for NESO is the increased investment for new, and often bespoke, IT platforms. Energy UK appreciates that these costs are large and can be uncertain, however in situations where IT contracts are being outsourced and incur long-term delays or failures, members would like confirmation that costs are (at least partially) being recovered.

Energy UK would also like to see a more detailed breakdown of cost and associated need relating to the full-time equivalent (FTE) employees per department, especially given the significant increase in headcount as part of the recent transition to NESO.

### **Broader comments**

NESO's remit has expanded in both scale and complexity. Ofgem, as the regulator, will need to ensure that NESO can effectively manage its day-to-day activity whilst also gearing up for the future.

Energy UK acknowledges that the transition from ESO to its current organisational structure has resulted in a significant increase in roles and responsibilities for NESO. However, members have experienced frustration with delays in various workstream implementation, and associated barriers to engagement.

Whilst there has been notable improvement as of late, members have suggested that it would be beneficial for NESO not to undertake any new roles or responsibilities until they have onboarded and implemented fully efficient and effective processes associated to their current remit.

Furthermore, members have noted a level of growing confusion relating to the cross-organisational roles and responsibilities for various policy areas and workstreams between Ofgem, the Department for Energy Security and Net Zero (DESNZ), and NESO. As such, Energy UK would like to see greater clarity of governance and workstream ownership within each organisation, to allow for greater ease of engagement.