

Octopus Energy Response to NESO Business Plan 3 (BP3) Draft Determinations

Sent by email to: nesoregulation@ofgem.gov.uk

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About Octopus

The Octopus Energy Group is the UK's largest domestic electricity supplier and a global leader in innovative smart tariffs and products that harness and reward consumer demand flexibility. With over half a million customers on smart tariffs and exponential growth, we are pioneering the future of energy. As the owner of Kraken, a platform that connects all parts of the energy system -from customer billing to the flexible management of renewable generation, energy storage, and consumer devices such as EVs, home batteries, and heat pumps - we are at the forefront of energy technology. [Kraken](#) currently has 42.43GW of assets contracted. As a key player in renewable investments, Octopus Energy manages over £6.7bn in assets globally, including more than 2GW of offshore and onshore renewables in the UK.

Introduction

Octopus Energy welcomes the opportunity to respond to Ofgem's draft determinations for NESO's Business Plan 3 (BP3). We broadly support NESO's proposed strategic priorities for 2025–2026 and recognise the appropriate continuity with previous plans.

We are supportive of Clean Power by 2030 as a strategic priority, given the importance of the NESO's role in unlocking at least 12GW of consumer-led flexibility in the next five years. It is imperative that the Clean Power 2030 Mission is given a priority focus within NESO's Business plan and objectives.

It is critical that clear and measurable performance targets are established, particularly in areas where persistent issues, such as skip rates and the Capacity Market portal, continue to affect industry confidence. Greater transparency around individual accountability for each Performance Objective will also be crucial.

Cost transparency must also be strengthened. We must see a more detailed breakdown of NESO's proposed spending per objective, alongside estimates of the value delivered to consumers and industry.

Ultimately, to achieve Clean Power by 2030, NESO must urgently remove participation barriers to low-carbon flexible assets, implement effective digitalisation measures, and accelerate the move away from legacy IT systems. Octopus Energy is committed to working collaboratively with NESO, Ofgem and DESNZ to build a consumer-centric energy system capable of delivering Clean Power 2030.

Overall Business Plan Strategy and Strategic Priorities

Octopus Energy agrees that NESO's BP3 strategic priorities are broadly appropriate for the 2025–2026 period.

However, we are concerned that the business plan does not fully reflect the UK's current strategic direction. In particular, it lacks sufficient emphasis on the Clean Power 2030 Mission and the need to rapidly scale up consumer-led flexibility (CLF) by 12GW over the next five years. Given the importance of CP30 and the key role NESO is expected to play, it is critical that NESO's strategy better articulates how its activities align with the Government's new decarbonisation priorities and demonstrate its leadership in delivering a low cost, decarbonised, demand-led system.

We strongly support NESO's work on the Open Balancing Platform (OBP) and its strategic whole energy plans, but faster progress is needed to move away from legacy IT systems and fully unlock consumer and industry value.

Performance Measures and Accountability

Octopus Energy supports the principle of outcome-based regulation but cautions against interpreting this as justification for "light-touch" oversight. Now NESO has transitioned to a public body, robust accountability is more important than ever.

It is critical that we see:

- The establishment of clear, measurable KPIs linked to each Performance Objective, made publicly available.
- Specific, quantifiable targets for key areas of underperformance, such as skip rates and market access for consumer flexibility.
- Regular updates reporting on how NESO is performing against its timelines and spending objectives for key projects.

We fully support the move towards performance-based financial incentives at the individual level, but these must be backed by visible progress and detailed

reporting. We must also see much greater transparency around individual ownership of objectives, allowing for direct and effective engagement.

We welcome a success measure around the NESO Routes to market review. This should also involve NESO committing to regular updates and having KPIs attached to removing market barriers. Currently, a large volume of low carbon flexible assets are unable to participate in flexibility services as a result of these barriers. This must also link into the NESO, DESNZ and Ofgem Low Carbon Flexibility Roadmap.

We are deeply concerned that Ofgem do not intend to introduce a Skip Rate target under the 'Operating the Electricity System' objective. IT system limitations must no longer be a reason for slow or incomplete delivery of flexibility markets or operational improvements. The introduction of a target will greatly increase accountability on NESO's delivery of improved skip rates along with providing industry with a means to track progress in light of our 2030 targets. The skip rates Success Measure that has even been proposed by NESO in their Business Plan.

Despite some initial successes with OBP, the continued high skip rates for smaller flexible units present a major barrier to achieving Clean Power 2030 ambitions. 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 12GW of consumer-led flexibility. 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.

Additionally, we support ADE's call for a separate reporting category for demand side response (DSR) technologies in Platform for Energy Forecasting (PEF) data to track and address skip rate impacts on flexibility providers more transparently.

. Delivering a decarbonised, flexible energy system will only be possible if NESO fully embraces digitalisation, ensuring timely delivery of system upgrades and an open, accessible approach to data sharing across the industry.

Cost and Value for Money

Octopus Energy recognises that NESO's transition to a not-for-profit model demands a renewed focus on cost efficiency and transparency. To that end, we would like to see:

- A detailed and granular breakdown of expected spend per Performance Objective along with updates on current spending
- Clear articulation of the expected value delivered to consumers and industry for each area of expenditure.

We also note the significant investment in new IT systems to replace legacy systems, which is critical to ensuring our energy system is fit for the future. While we appreciate the scale and complexity of these projects, there must be robust governance and cost recovery mechanisms in place, especially where delays or failures occur. The £20 million expenditure on NESO's Electricity Open Balancing Platform (OBP) is a pertinent example where greater scrutiny would be welcomed. Particularly in the context of past failed IT upgrade programmes.

NESO's digitalisation efforts must deliver tangible improvements for industry participants. Legacy system issues have been cited repeatedly for years; robust governance and accountability must ensure that future IT investments genuinely resolve longstanding barriers to participation and market access.

Furthermore, we call for NESO to clarify how BP3 will align with the Government's upcoming Industrial Strategy, particularly concerning energy and infrastructure reform.

Broader Comments

We recognise the scale and complexity of NESO's transition and the expanding scope of its responsibilities. However, we strongly urge NESO to:

- Prioritise embedding efficient and effective processes within its current remit before taking on new roles.
- Address barriers to flexibility market participation through faster progress on routes-to-market reforms and the low carbon flexibility roadmap
- Ensure the separation of powers within NESO's organisational structure to mitigate conflicts of interest.