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Dear NESO Regulation Team

Business Plan 3 Final Determination – National Energy System Operator

On behalf of SSE Energy Businesses¹, I welcome the opportunity to respond to Ofgem's Draft Determination on the National Energy System Operator's (NESO) Business Plan 3 (BP3).

We agree with Ofgem's determination that the proposed Strategic Aims represent a suitable focus for NESO and align with the Strategic Priorities set in the Strategy and Policy Statement (SPS) for energy policy in Great Britain. We welcome Ofgem's suggestion that, in future business plans, NESO should show more clearly how its strategic priorities guided the identification and definition of Performance Objectives (POs).

We also agree with Ofgem's determination that the BP3 POs cover an appropriate range of key activities but also with Ofgem's comment noting that several Success Measures (SMs) across the POs refer to the delivery of an activity (sometimes by a set date) but lack a specific measure of the quality of that delivery. Therefore, we welcome Ofgem's clarification that its assessment of NESO's BP3 performance will consider the quality of the delivery rather than simply whether an activity has been delivered; and that stakeholder feedback will be used as a key measure of the quality of NESO's performance and achievement of its POs.

We generally support Ofgem's assessment of NESO's POs and SMs, including where Ofgem noted that some SMs do not articulate clearly what success in meeting the overall PO should look like, i.e. do not provide sufficient clarity on the levels of performance required to meet the PO. On Strategic Whole Energy Plans and Connections Reform, amongst the most critical of NESO's strategic priorities for the year 2025-26, we provide more detailed feedback below.

We welcome NESO's recent progress in reducing skip rates and recognise the complexity of setting realistic targets given current uncertainties; therefore, we support Ofgem's decision not to set specific targets at this stage. Whilst we expect NESO to continue improving its performance and reducing skip rates to the extent that this is reasonably practicable, the key focus from NESO and Ofgem should be on ensuring that when assets are skipped, the underlying reasoning is explained to stakeholders in a clear and transparent way.

¹ Renewables, Thermal, Energy Markets, and Energy Customer Solutions.

One area that is currently not explicitly addressed in NESO's BP3 plan and Ofgem's Draft Determination is NESO's responsibility for quality assurance. Considering recent issues relating to the calculation of transmission loss load factors, we would welcome clarity on what expectations are being set for NESO to ensure that it carries out robust quality assurance on the deliverables for which it is responsible.

On the delivery of value for money in BP3, we agree with Ofgem's determination that the cost information provided by NESO remains insufficient. As we stated in our previous response to NESO's BP3 consultation, NESO needs to provide further context and justification for the proposed cost estimates to allow Ofgem and stakeholders to determine whether value for money is being delivered.

On NESO's reporting requirements, we suggest that Ofgem should reconsider whether to retain some of the metrics it is currently proposing to remove or provide further clarity on why it intends to remove those metrics.

- RRE 1E (transparency of operational decision making): Ofgem's position is that this metric is being replaced with a revised metric on skip rates; however, operational decision making should be interpreted more broadly than just in relation to skip rates, and therefore a broader operational transparency metric should be retained alongside a more targeted metric focusing on skip rates.
- RRE 3X (timeliness of connection offers) and 3Y (percentage of 'right first time' connection offers): see 'Connections Reform' section below.

Strategic Whole Energy Plans

All but one of the SMs associated with this PO require NESO to deliver a certain plan or methodology, or complete a certain activity, by a specific target date, in line with NESO's licence obligations. As noted above more generally, in assessing the extent to which NESO has achieved this PO, we expect Ofgem to focus on the quality of NESO's delivery and effectiveness of the underlying stakeholder engagement rather than just on the timeliness of this delivery.

In particular, we note that throughout the two years that it will take NESO to develop and deliver its first Strategic Spatial Energy Plan (SSEP), NESO's work programme includes only two public consultations (one already held in December 2024 / January 2025 on its draft methodology and one expected in Q2 2026 on its draft SSEP plan for the pathway chosen by the Secretary of State). During the entire BP3 period, there will be no public consultations on NESO's progress in developing the SSEP and stakeholder engagement will be limited to a series of advisory / working group meetings and webinars.

None of these advisory and working groups currently include direct representation from generation developers, who will be responsible for delivering the largest portion of the investment required over the next decade, as identified in the Clean Power 2030 Action Plan. Whilst we welcome the inclusion of trade associations within some of these groups, the lack of direct representation from developers and the confidentiality requirements applied to the material shared with trade associations are significantly limiting the ability of developers to understand NESO's approach in sufficient detail to provide constructive feedback.

In assessing NESO's performance throughout BP3, Ofgem should apply robust scrutiny to NESO's stakeholder engagement approach and the way in which stakeholder feedback is used to shape NESO's development of the SSEP and broader thinking in the strategic energy planning space.

Connections Reform

Overall, we are unconvinced that the level of detail provided in NESO's BP3 plan and Ofgem's Draft Determination will be sufficient to allow Ofgem and stakeholders to monitor and assess accurately the effectiveness of NESO's delivery of the agreed outcomes of Connections Reform. More specifically:

- We note that the first SM associated with the Connections Reform PO states that 100% of projects that enter the G2TWQ process will have connection offers by the end of 2025. We are no longer expecting NESO to meet this deadline, as Ofgem's recent decision on connections reform suggests that NESO is targeting issuing offers to all projects with a pre-2030 connection date by early Q1 2026.
- More broadly, we would question whether currently there is sufficient detail to monitor the issuing of connection offers via the Gate 2 process and suggest it might be appropriate to monitor also 'agreements to vary', i.e. revisions to offers driven by NESO (or TOs). This might provide an incentive for NESO to issue accurate connection offers from the outset.
- Moreover, currently there is little detail that would allow Ofgem and stakeholder to monitor NESO's ability to successfully 'backfill' projects that are included in the Gate 2 queue but are subsequently removed from the queue. The same concern applies to NESO's designation process. Ofgem should consider the addition of more tailored reporting requirements that would allow Ofgem and stakeholders to ensure that Connections Reform outcomes prioritise the 'right' projects required to meet the stated policy objectives and system requirements.

In relation to the two existing reporting metrics (RRE 3X and 3Y), we recognise that, to an extent, the focus on timely offers might risk resulting in rushed and subpar offers. Moreover, we recognise that it might be difficult to set appropriate parameters for RRE 3X at present given ongoing uncertainty surrounding the new process.

However, our view is that NESO should continue reporting its performance against both metrics (RRE 3X and 3Y). Since timeliness and accuracy of connection offers remain important to customers, we suggest that Ofgem should retain the existing metrics but also introduce additional metrics to monitor NESO's performance in dealing with the new aspects of the connections process; for example, the alignment of connection offers with the Clean Power 2030 Action Plan (and, in the future, the Strategic Spatial Energy Plan).

We look forward to continuing to engage with Ofgem to support a successful implementation of NESO's new regulatory framework. If you would find it helpful to discuss any aspects of our response in greater detail, please do not hesitate to contact me.

Yours sincerely,

Martin Namor

Senior Manager - Group Regulation