

To:
National Energy System Operator Limited

Date: 11 July 2025

Dear Company Secretary,

Proposal to modify the NESO Regulatory Instructions and Guidance ("RIGs") and the Regulatory Financial Reporting Pack ("RFRP") for RIIO-2

We¹ propose to make modifications to the RIIO-2 RIGs document and the RIIO-2 RFRP data templates for National Energy System Operator ("NESO").

We have renamed the RIIO-2 Regulatory Financial Performance Report (RFPR) to RIIO-2 RFRP (Regulatory Financial Reporting Pack) to more accurately reflect the purpose of the reporting pack for NESO.

We note this pack is an interim solution for reporting relating to 2024/25, and that the NESO RIGs and RFRP are subject to change pending the publication of our decision on the NESO enduring regulatory framework, following our recent consultation.²

RIGs and RFRP

The RFRP RIGs outline the reporting requirements and set out instructions and guidance for NESO regarding the RFRP template.

As part of the enclosed Notice, we provide the following documents with proposed modifications:

- RIIO-2 NESO – RFRP Regulatory Instructions and Guidance: Version 1.0; and,
- RIIO-2 NESO - Regulatory Financial Reporting Pack: Version 1.0.

Proposed modifications

We are proposing a number of modifications to the RIGs and RFRP to reflect the transition from National Grid Electricity System Operator to NESO.

Timeline

If we implement the proposed modifications to the RIGs and to the RFRP, they will take effect at the same time as our decision, which we expect will be in August 2025.

We welcome representations on our proposed modifications by 8 August 2025, and the details for responding are contained in the enclosed Notice.

Yours faithfully,

¹ References to 'the Authority', 'GEMA', 'Ofgem', 'we', 'us' and 'our' are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets. Ofgem is the office of the Authority which supports GEMA.

² Consultation on the enduring regulatory framework for NESO | Ofgem

Mick Watson

Deputy Director of Regulatory Finance, Financial Resilience and Controls

Duly authorised on behalf of the Authority

11 July 2025

National Energy System Operator Limited

(a "Licensee")

Notice under Part A of Condition G3 (Regulatory Instructions and Guidance) of the Electricity System Operator Licence and the Gas System Planner Licence.

The Gas and Electricity Markets Authority (the "Authority")³ hereby gives notice under Part A of Condition G3 as follows:

Proposal to modify the Regulatory Instructions and Guidance

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") in accordance with Condition G3 of the ESO Licence and GSP Licence. The RIGs are the primary means by which the Authority directs the Licensee to collect and provide information to the Authority, to enable it to administer the Conditions of the Licences and, where not referenced in the Licences, the RIIO-ESO Business Plan 2 Final Determinations⁴.
2. Part A of Condition G3 of the ESO Licence and GSP Licence sets out the process for issuing and modifying the RIGs. In accordance with Condition G3, the Authority hereby gives notice to the Licensee that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
3. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 30 September 2025 in relation to:
 - RIIO-2 NESO – RFRP Regulatory Instructions and Guidance: Version 1.0
 - RIIO-2 NESO - Regulatory Financial Reporting Pack: Version 1.0
4. The purpose of the proposed modifications is to update the RIGs and RFRP (formerly RFRP) to reflect the transition from NGESO (a private company owned by National Grid PLC) to NESO (a publicly owned not-for-profit organisation). The reason we have proposed these modifications is due to NESO being launched on 1st October 2024, and as such the RFRP (formerly RFRP) has been restructured to enable the collection of accurate and consistent information relating to NESO, in line with the requirements set out in the licences.⁵ Alongside this, we are also proposing to make updates to the RIGs to provide guidance on the sources and format of the information the licensee is expected to provide.
5. The Authority proposes that these modifications should take effect at the same time as our decision, which we expect will be in August 2025.

³ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

⁴ Business Plan 2 Final Determinations - Electricity System Operator | Ofgem

⁵ National Energy System Operator (NESO) launches on 1 October | National Energy System Operator

6. The Licensee must complete and return the Regulatory Financial Reporting Pack referred to above as part of the 2024/25 RIGs process.

Further information

7. The RIIO-2 RFRP template and RIIO-2 RFRP Regulatory Instructions and Guidance documents published alongside this Notice show the proposed modifications as they would be incorporated if made.
8. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
9. Any representations on the proposed modifications must be made on or before 8 August 2025 by email to regfinance@ofgem.gov.uk.
10. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as "not for publication".

Mick Watson

Deputy Director of Regulatory Finance, Financial Resilience and Controls

Duly authorised on behalf of the Authority

11 July 2025