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Date
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Contact: Lauren Logan
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By email: NESORegulation@ofgem.gov.uk

Dear David,

Ref: SP Energy Networks response to Ofgem's consultation on the enduring regulatory framework for NESO.

This response is submitted by SP Energy Networks (SPEN), representing SP Distribution (SPD), SP Manweb (SPM) and SP Transmission (SPT). We operate electricity distribution networks serving over 3.5 million customers across Central and Southern Scotland, Merseyside, and North Wales, and are the Transmission Owner for Central and Southern Scotland.

We welcome the opportunity to contribute to Ofgem's consultation on the enduring regulatory framework for NESO. As the energy sector undergoes significant transformation and NESO's responsibilities continue to expand, it is essential that stakeholders are given the opportunity to help shape a regulatory framework and provide critical feedback. SPEN supports Ofgem's recognition of the importance of NESO delivering outcomes that serve consumers' interests while striving for excellence. Now that NESO operates as a public body, we agree that its regulatory treatment should be appropriately changed to reflect this status. We have provided our detailed feedback and highlight below the key areas we believe Ofgem should prioritise in finalising the framework.

Clarity of Roles and Responsibilities

It is vital that the enduring framework provides absolute clarity on the respective roles and responsibilities of NESO, Transmission Owners (TOs), Distribution Network Operators (DNOs) and other stakeholders. Ambiguity in this area risks inefficiencies, duplication of effort, and potential conflicts that could undermine system delivery and consumer outcomes. There must also be complete clarity in how the NESO will ensure cross consideration in their new strategic spatial and network planning activities including the Strategic Spatial Energy Plan (SSEP), Regional Energy System Plan (RESP) and the Centralised Strategic Network (CSNP).

TOs and DNOs have deep operational knowledge and long-term asset stewardship responsibilities and have strict licence obligations to adhere to. It is therefore essential that the role of TOs and DNOs is not diminished or marginalised in the new arrangements. We urge Ofgem to ensure that the framework preserves a meaningful and respected voice for network owners and operators in system planning, investment decision-making, and operational coordination. This is particularly relevant and important in the context of efficient and effective coordination and collaboration with respect to data exchange processes. Given the volume and importance of data exchange processes we would urge Ofgem to include such processes within the framework. It is imperative that NESO has clear roles and/or responsibilities to collaborate with TOs and DNOs for the purposes of facilitating change, such as connections reform where we have experienced the NESO being restricted from very stringent information sharing legislation.

Given the significant expansion of NESO's roles and responsibilities, it is essential to establish a clear delineation between the duties of NESO as a public body, those of Ofgem, and those of Government. In our view, Ofgem should place trust in the technical expertise that resides within NESO following engagement with network owners and operators as regional experts. However, decisions relating to policy and regulation must remain firmly within the remit of Ofgem and Government. NESO's input on such matters should be considered and consulted on in line with the views of other key stakeholders, ensuring a balanced and transparent decision-making process.

Incentives and Accountability

The success of NESO in delivering a secure, decarbonised, and cost-efficient energy system hinges on the strength of the regulatory framework that governs its operations. It is imperative that the NESO is driven by well-defined targets that are regularly reviewed and consequences that align with national legislation and energy goals such as net zero targets. This should be clearly set out in the NESO licence and align with government's strategic policy statement (SPS).

The NESO regulatory framework should also explicitly incorporate economic growth as a core consideration, aligning it with broader industry ambitions and Ofgem's statutory duties. Ofgem's proposals notably lacks a clear articulation of how NESO's activities will support wider economic development. This omission is significant given NESO's strategic role in shaping infrastructure investment, enabling innovation, and coordinating system planning across electricity and gas. Embedding economic growth into NESO's objectives would ensure that regulatory incentives not only drive decarbonisation and security of supply but also unlock regional and national economic opportunities. Addressing this gap in the consultation would strengthen the framework's alignment with the UK's broader industrial strategy and net zero transition.

SPEN support Ofgem's outcome focused regulatory framework through continued public assessment of the NESO's performance and emphasise that any performance-based incentives should be tied to measurable outcomes such as emissions reductions, system reliability, and consumer cost savings. We urge economic growth is equally measured. These incentives must be both financial and reputational, ensuring that NESO remains motivated to innovate and improve.

Further, it is imperative that the framework outlines clear accountability structures to avoid the risk of fostering inefficiency and complacency, accountability mechanisms must include transparent reporting, independent audits, stakeholder and industry oversight to maintain public trust and regulatory integrity. As a public body, the NESO activities, roles and responsibilities must also be transparent.

Business Plan and Plan Assessment

We support Ofgem's continued use of a staged business plan process and formal consultation processes for both Draft and Final Determinations. Maintaining this approach provides structure and transparency ensuring that stakeholders and industry participants have the opportunity to provide meaningful feedback throughout the business planning process.

Given NESO's evolving and expanding role, we broadly support the two-year business plan cycle and welcome the requirement for NESO to update its strategic aims in April 2026. This update will offer much-needed clarity to industry and stakeholders regarding NESO's objectives and responsibilities, enabling more effective oversight and accountability. We welcome Ofgem's intention to consult on these strategic aims to ensure they reflect the needs and expectations of the wider energy system.

We strongly support the establishment of an Independent Challenge Panel being mandated in the regulatory framework. Such a group would provide essential challenge and scrutiny of NESO's business planning processes, enhancing transparency and accountability. Network owners and operators (both transmission and distribution) should be represented in the Independent Challenge Panel as some of the NESO's key partners and stakeholders.

Please do not hesitate to reach out should you wish to discuss any elements of our response in greater detail.

Yours sincerely,



Lauren Logan

Head of Transmission Regulation and Policy
On behalf of SP Energy Networks