

Workshops on NESO's enduring regulatory framework: summary of feedback

Introduction

1. This note provides a summary of the key themes of feedback we¹ received from stakeholders at our workshops on the design of National Energy System Operator (NESO)'s enduring regulatory framework, held in May 2025.
2. We held these workshops as part of our overall consultation process on NESO's enduring regulatory framework, with feedback informing our August 2025 policy decision. We have published this summary on our consultation page alongside the written responses we received from stakeholders. For reference, we have also published the slide pack used at our workshops on the same page.

Background

3. NESO is an expert, independent body with key responsibilities relating to operating and planning the energy system. It is a not-for-profit, public corporation which is licensed and regulated by Ofgem. Our regulation is a key part of the governance model for NESO; it provides independent oversight of NESO's performance delivering its statutory duties, which in turn supports NESO's operational independence from the government.
4. We have introduced NESO's regulatory framework over three key phases. We made a suite of changes for the first two key phases: at NESO's introduction in October 2024; and for the start of the RIIO-2 Business Plan 3 (BP3) period beginning in April 2025. The third phase of change will take effect in April 2026 (the start of the 'enduring framework'). In May 2025, we published a consultation on our policy proposals for NESO's enduring regulatory framework² – inviting views on all aspects of NESO's regulation.

¹ The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem", "the Authority," "we" and "us" are used interchangeably in this document.

² [Consultation on the enduring regulatory framework for NESO](#)

5. We held a series of stakeholder workshops in May 2025 both online and in-person, aimed at gathering early feedback and insights from stakeholders on our proposals and the design of key regulatory building blocks for the enduring regulatory framework for NESO. Participants included energy companies, trade associations, academics, and non-governmental organisations (see Appendix 1 for the full list of organisations who attended).
6. This document summarises the key themes, discussion points and feedback from the participants at these workshops. The discussion focus varied across the three workshops but broadly covered: performance incentives; business plans; cost regulation and license obligations.
7. For clarity, the views presented in this document reflect those of the workshop participants rather than Ofgem's views. Please see our August 2025 policy decision on NESO's enduring regulatory framework to see how we have responded to stakeholder feedback.

Key stakeholder feedback

Objectives and principles

8. We outlined as part of our consultation our updated objectives and principles for NESO's regulatory framework. We shared these at our workshops to provide transparency on what our overarching considerations have been for the design for NESO's regulatory framework building blocks and how we intend to approach our regulation of NESO more generally.
9. Workshop participants provided the following comments:
 - Overall, stakeholders considered that our objectives and principles were sensible. Participants considered that promoting stakeholder trust was a key priority as NESO should be making decisions in the energy sector and consumers' best interests. Participants considered that achieving the objectives of accountability and the principle of promoting transparency in our regulation were fundamental to ensure stakeholder trust.

- To achieve our objective of fostering NESO's independence, participants suggested a clearer articulation of roles and responsibilities between NESO and Ofgem. For example, in areas such as network planning and strategic coordination where it isn't always clear who was leading and on what aspects. Some stakeholders noted that whilst independence was important, there still needed to be clear policy positions and parameters set by Ofgem and the government to avoid ambiguity and NESO stepping into a policy-setting role.

Performance Incentives

10. During our stakeholder workshops, we presented four broad options for a reputational-based incentives framework for NESO. These included:

- Option 1: Ofgem publicly evaluates the delivery of granular deliverables and metrics, against detailed activity-level expectations (e.g., the approach taken for the Electricity System Operator (ESO) under RIIO-2).
- Option 2: Ofgem publicly evaluates NESO's achievement of key outcomes, informed by progress against success measures (e.g. the approach taken for BP3).
- Option 3: NESO publishes outturn data against pre-set targets for granular deliverables / outputs / metrics (e.g., the approach taken for the ESO under RIIO-1 / traditional network price control).
- Option 4: NESO self-assess on its progress achieving key outcomes.

11. Overall, there was broad support for Option 2. In our online workshop poll, Option 2 received 59% of the votes, followed by Option 1 with 29%, and Option 3 with 12%. Options 4 and "None of the above" received no votes.

12. Overall, stakeholders supported Ofgem undertaking a public assessment of NESO's performance, with stakeholder input being an important part of our assessment. Stakeholders in favour of Option 2 agreed that a strategic, outcome-focused regulatory approach better aligns with NESO's role given the significant increase in the number and scope of NESO's roles, compared to those of the ESO. Stakeholders also welcomed a continuity from BP3 of regular reporting by NESO to ensure transparency and accountability. Some stakeholders supported this approach in principle but cautioned that an assessment against outcomes still required clear metrics and deliverables to enable Ofgem and stakeholders to measure success. Some felt that the Performance Objectives

and Success Measures produced by NESO for BP3 had not been sufficiently specific or measurable and were concerned this precedent could continue beyond April 2026.

13. Stakeholders who preferred Option 1 stated that detailed monitoring and assessment should remain in several areas where there has not been industry confidence in NESO's performance. Stakeholders suggested that NESO should provide more granular details of its activities to enable effective Ofgem and stakeholder scrutiny. Several stakeholders highlighted the need for Ofgem's approach to be flexible – suggesting that there is a spectrum of approaches between Option 1 and 2. They felt that Ofgem should be able to revert to the use of a performance incentives scheme more similar to Option 1 if performance concerns arise or persist.
14. Some stakeholders were concerned that the proposed performance incentives would not create strong enough incentives on NESO, with some questioning the power of reputational incentives in general. They felt that Ofgem should introduce additional measures to create clear, senior-level accountability and incentives on NESO. A number called for greater transparency on the bilateral processes that Ofgem follow to raise and escalate issues with NESO.
15. Several stakeholders also stressed the importance of strong links between NESO's executive remuneration and Ofgem's assessment to ensure the reputational performance incentives are effective.

Business Plans

16. Overall, there was support from participants for the proposed two-year business plan cycle and process. Stakeholders considered that the proposed changes, coupled with the requirements for NESO to develop and consult on longer-term Strategic Aims, should strike the right balance of providing stakeholders certainty and clarity on NESO's aims and deliverables while balancing stakeholder engagement fatigue.
17. Some participants raised the need for alignment between NESO's business plan cycle and other regulated companies under RIIO-3 scheme as this could result in better coordination across the sector. For example, on strategic network planning. Others wanted to ensure

that NESO's business planning framework did not constrain the ability for changes to NESO priorities and regulation in response to wider sector developments.

Cost Regulation

18. During our stakeholder workshops, we presented three broad models for how we could design cost regulation for NESO:
 - Option 1: Dynamic ongoing cost assessment - level of cost scrutiny and justification needed proportionate to past performance and level of proposed annual change (i.e., broadly aligned with BP3 approach)
 - Option 2: Strategic cost assessment - move to a higher level of cost scrutiny, focusing on costs from a top-down perspective only. More reliance on incentives from NESO statutory duties and potential use of external government review. (i.e. much less detailed cost scrutiny than today)
 - Option 3: Budgetary model - similar to the funding for government departments with fixed annual budgets. Stronger up-front justification needed to increase budget, but limited ongoing scrutiny of spend within budget.
19. Overall, participants broadly supported Option 1. In the online workshop poll, 79% of respondents chose Option 1 and 21% chose Option 3. There were no votes for Option 2 or the option 'None of the above'.
20. Participants emphasised the need for robust regulatory oversight over NESO's costs to prevent inefficiencies or misaligned expenditures. Participants supported the continuation of Ofgem's value for money assessment to provide assurance under the pass-through model.
21. Participants also called for greater transparency on NESO's cost reporting, including suggestions for NESO to publish more detailed, granular information on cost forecast and actual costs. It was also suggested that the stakeholder group could be involved in scrutinising NESO's costs.
22. Stakeholders who preferred a budgetary model questioned whether there would be strong enough incentives on NESO to reduce costs and whether there were risks from NESO having different treatment from other licensees / energy sector organisations.

Stakeholder mechanisms

23. During our stakeholder workshops, we presented our key proposed changes to the stakeholder mechanisms – including changes to the independent stakeholder panel and how within scheme feedback is collected. Overall, feedback was mixed. In the online workshop poll, 32% agreed and 42% slightly agreed with the proposals. Meanwhile, 5% neither agreed nor disagreed, 16% slightly disagreed, and 5% disagreed.

NESO stakeholder panel

24. Participants supported setting up an enhanced Independent Challenge Panel (ICP). They agreed that this could provide a central platform for stakeholders to hold NESO accountable for its performance.

25. However, stakeholders raised the following issues:

- ICP's independence: Participants stressed that Ofgem, rather than NESO, should own and appoint members to the stakeholder group to remove conflicts of interest and ensure members can share views freely. Alternatively, Ofgem should appoint an ICP Chair who would then select ICP members to avoid the perception of bias in NESO's selections. There were also concerns about NESO's (and to some extent Ofgem's) presence in the panel discussions and correspondence potentially affecting independence and the ability for the ICP to have open discussions.
- ICP's role: there were requests for clear definitions of the ICP's role, responsibilities, and terms of reference, and some stakeholders expressed concerns about the implications for NESO's current Independent Stakeholder Group.
- ICP's membership and representation: stakeholders put an emphasis on the need for cross-sector expertise covering NESO's breadth of roles. Participants flagged that smaller companies may struggle with the resource burden of engagement. Several participants called for formal meeting minutes to be published to ensure there was transparency over how the group is representing stakeholder interests.

26. Some stakeholders felt that it was important that the ICP can engage with NESO's and Ofgem's senior management. They considered this would ensure key performance issues are heard and acted on by those most accountable and able to drive change.

Within-scheme feedback

27. Overall, participants welcomed the ability for stakeholders to provide feedback directly to Ofgem on an ongoing basis. Participants agreed that it could enhance flexibility when providing feedback. However, stakeholders requested further detail around how this process would work in practice – including what level of information would be required by Ofgem and how this would feed into Ofgem’s assessment in a timely manner.
28. Some participants preferred a formal Call for Evidence at key milestones (e.g., at the end-of-scheme) to prompt stakeholders to input at the right times. Stakeholders also suggested that Ofgem could improve communication, generally, around key milestones within the business plan cycle to ensure industry is better informed and able to provide feedback at the appropriate points.
29. Most participants expressed support for our proposal to continue with a stakeholder satisfaction survey. Some suggested including questions in the survey that would ask stakeholders to score performance against individual Performance Objectives and NESO executives, whilst others suggested the existing methods and approaches (such as the use of a phone-based survey) could be modernised and improved.

Additional stakeholder mechanisms

30. There were several suggestions for additional mechanisms to ensure NESO is accountable to its stakeholders for its performance, with some participants noting that these were essential in the absence of strong financial incentives. One suggestion raised was for a public forum, where NESO executives answer questions from stakeholders on performance. Another suggestion was for a “super-complaint” mechanism, which would require NESO to manage complaints made by trade and consumer bodies in a defined and prompt manner. Finally, it was suggested that Ofgem should set clearer expectations in NESO licences on how NESO should conduct its stakeholder engagement more effectively and meaningfully.

Licence obligations

31. Broadly, participants supported Ofgem's proposal to set primarily outcomes-focused obligations, limiting the use of regulatory approvals and prescriptive obligations to situations where clearly necessary.
32. Stakeholders emphasised NESO's central role in the energy system, noting that its ability to meet licence obligations directly affects other licensees. A suggestion was made to include more explicit licence conditions on how NESO engages with stakeholders in network planning. Some stakeholders called for a wider review of obligations across regulated network companies, to ensure that these are compatible with NESO's enhanced industry roles and that other companies have the necessary incentives to support NESO.

Appendix 1 - List of organisations represented by workshop participants.

London workshop (May 2nd)

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| 1. Association for Decentralised Energy | 10. National Grid |
| 2. Cadent | 11. National Grid Distribution System Operator |
| 3. Centrica | 12. NESO |
| 4. Complete Strategy | 13. Northern Gas Networks |
| 5. EDF | 14. Octopus |
| 6. Energy UK | 15. Turner & Townsend |
| 7. Future Energy Networks | |
| 8. Infrastructure Forum | |
| 9. KPMG LLP | |

Glasgow workshop (May 15th)

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| 1. Gemserv | 4. SP Transmission |
| 2. National Grid Electricity Transmission | 5. SSEN Transmission |
| 3. NESO | |

Online workshop (May 22nd)

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| 1. Alt HAN Co | 15. Interconnector Ltd |
| 2. Berkeley Research Group | 16. National Gas |
| 3. Bubba Energy Ltd | 17. National Grid |
| 4. Cadent | 18. NESO |
| 5. Centre for Sustainable Energy | 19. Northern Powergrid |
| 6. Centrica | 20. npower Business Solutions |
| 7. Drax | 21. Ohme EV |
| 8. E.ON | 22. Oil and Gas Regulatory Authority Pakistan |
| 9. Ecotricity | 23. Pavilion Energy |
| 10. EDF Energy | 24. Royal Society for the Protection of Birds |
| 11. Elxon | 25. Scottish Power |
| 12. Energy Traders Europe | 26. Scottish Renewables |
| 13. Emirates Water and Electricity Company | 27. Sefe Energy |
| 14. Fuel Poverty Action | |

28. Scotia Gas Networks

29. South Hook Gas

30. SSE Generation

31. TotalEnergies

32. UK Power Networks

33. Victory Hill Capital Partners

34. Vitol

35. Wales & West Utilities

36. Waters Wye & Associates

37. Welsh Government

38. Xoserve