

# Decision

---

## Assessment of NESO's performance during Business Plan 2 – Executive summary

---

Publication date:	5 September 2025
-------------------	------------------

Team:	NESO Regulation
-------	-----------------

Email:	<a href="mailto:NESORegulation@ofgem.gov.uk">NESORegulation@ofgem.gov.uk</a>
--------	--

---

The RIIO-2 price control for National Energy System Operator (NESO) covers the period 2021-26. The price control includes two-year business planning and incentives scheme periods, the second of which ran from April 2023 to March 2025.

As part of NESO's price control, an independent Performance Panel and Ofgem assessed NESO's performance at the end of each two-year cycle. The Performance Panel's report has already been published, and its views informed our assessment. This is an executive summary of Ofgem's end-scheme assessment of NESO's performance during the second Business Plan (BP2) period, 2023-2025. This period included the transition of National Grid Electricity System Operator (NGESO) to NESO, and so our views on NESO's performance in that transition are included in addition to evidence on NESO's core performance.

© Crown copyright 2025

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Any enquiries regarding the use and re-use of this information resource should be sent to: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

---

---

## Background and context

National Energy System Operator (NESO) operates under a price control consisting of a pass-through funding approach, supported by performance-based incentives to deliver value for consumers. In March 2025, NESO completed the final year of its second RIIO-2 Business Plan period (BP2), which began in April 2023.

This document sets out only the key messages and main factors that influenced our BP2 end of scheme assessment. We’ve considered NESO’s performance across its three core system operator roles and in the wider transition process from ESO to NESO, including establishing new NESO roles. Further details regarding our incentives approach, NESO’s roles, the incentive scheme evaluation criteria and our assessment can be found in the *‘End-scheme assessment of NESO’s BP2 performance – Evidence chapters’* document (*Evidence Chapters*), which is published alongside this document.

### Our overall assessment scores

Across NESO’s three roles, we have assessed its performance to be:

- Role 1: Control centre operations - NESO met expectations and scored a 3
- Role 2: Market development and transactions - NESO met expectations and scored a 3
- Role 3: System insight, planning and network development – NESO exceeded expectations and scored a 4

In Roles 1 and 2, the aggregated scores of 3 hide a spectrum of strong performance and underperformance that largely balanced out to the overall met expectations score.

---

## Our assessment findings

### Overarching messages

Over the course of the BP2 period NESO delivered a significant amount despite challenging system conditions and, at the same time, undergoing major organisational change and expansion. This delivery included major successes in high-profile work areas (such as Connections Reform and CP2030 advice), and strong delivery of major DD&T upgrades. This delivery should be celebrated. However, to achieve this, there appeared to be instances where NESO utilised significant resources, in terms of senior management time, expansion in team headcount and increased consultancy use. This may not be a sustainable or efficient long-term approach and we recommend that NESO

further considers how best to effectively balance its resourcing and delivery to ensure it optimises Value for Money.

Furthermore, we noted material concerns regarding NESO’s delivery of some BAU core activities, leading to instances of substandard service provision. There were examples where NESO’s successful delivery of newer, high-profile projects appeared to come at the expense of the quality of its core service delivery. To maintain industry trust it is critical that NESO also delivers the basics well. We believe there is room for improved management controls to ensure “lower profile”, but important BAU activities are consistently delivered to the quality expected by NESO’s customers.

Finally, we found that NESO’s limited reporting of evidence of its Value for Money throughout BP2 was consistently below expectations. A narrower focus on provision of cost information, rather than Value for Money, made our own assessment process challenging and impaired our view of NESO’s performance. We consider that improvement is needed during BP3 in the quality of how NESO demonstrates Value for Money to support external perceptions of NESO’s effectiveness and legitimacy.

## **Role 1 – Control centre operations**

NESO consistently maintained system security despite some challenging periods over BP2. Past initiatives, such as the dynamic response products, proved to have a significant positive impact on NESO’s ability to manage frequency. NESO took a more proactive and strategic approach to minimising balancing costs with publication of the 2024 balancing costs reports. Moreover, NESO’s strong delivery of the foundational elements of its Balancing Programme DD&T reforms led to a marked improvement in BM dispatch of smaller assets, and was supported by excellent engagement with industry, as NESO hosted multiple well received events to bring industry on the Balancing Programme delivery journey.

NESO’s industry engagement on system issues such as skip rates and operational metering was significantly below expectations, particularly in the first 18 months of BP2. However, we noted a marked improvement in NESO’s work and external engagement in tackling skip rates since December 2024. Development of the Data Analytics Platform, which delivered valuable insights to the rest of the business, including skip rate monitoring, was positive but received some negative stakeholder feedback with regards to responsiveness to data requests and inconsistent data quality. Planned demand and solar forecasting tools were noted by NESO as complete but at the end of BP2 were still in the prototype phase and had yet to provide material benefits.

We found that NESO’s approach to operational transparency in BP2 could have been more proactive, for example by better sharing and actively promoting clear and accessible explanations of significant system events and operational decisions. We also noted a lack of evidence and action to provide us with sufficient assurance that NESO remains on track to achieve compliance with the Electricity System Restoration Standard by December 2026.

## **Role 2 – Market development and transactions**

NESO set out to deliver an ambitious Role 2 plan that, if delivered, would have exceeded our expectations. Several notably ambitious items in that plan were not delivered and others that were delivered were only delivered in part. An area NESO did deliver the ambition of a project, despite blockers to progress, was the Single Markets Platform.

NESO showed strong performance as the Electricity Market Reform Delivery Body, generally exceeding expectations. Notable performance was seen in its input to policy development (including in support of REMA and CP2030) and support of CM/CfD bidding parties. A new CM portal was delivered, and while significantly overbudget and delayed, it was delivered in time to facilitate 2024 prequalification and was an improvement for users. NESO also began making improvements to capacity adequacy modelling.

NESO delivered some high-profile outputs such as the Demand Flexibility Service, the Routes to Market Review and engaged well in REMA work. However, some significant errors in the management of code change and resultant application into charging processes, a lack of consistent high-quality code input (policy, legal and technical analysis), and a generally passive approach to code change led to increased send backs and slow progression of some code modifications. While we saw some improvements towards the end of BP2, we see these aspects as crucial moving forward, as NESO will be required to input into and deliver large reforms in these areas.

## **Role 3 – System insight, planning and network development**

We assessed NESO’s plan to be exceeding expectations, and almost everything in the plan was delivered. Moreover, additional outputs not in NESO’s original BP2 plan were also delivered largely through the same business functions.

NESO delivered reform to the Connections process at pace, enabling alignment of the Connections queue with the CP2030 Action Plan. However, significant frustrations were noted in the continued sub-optimal BAU management of connection offers. There were several instances of NESO submitting extension requests after the due date.

NESO demonstrated leadership and collaboration, which enabled excellent offshore coordination outcomes, and engaged with key stakeholders to manage complex impact

assessments through a responsive and pragmatic approach. NESO also successfully delivered tenders for Voltage, Stability and Constraint Management Intertrips, extracting value for the consumer and supporting NESO’s Zero Carbon Operability aims.

NESO met core obligations for network planning and showed leadership in developing the CSNP methodology, at the same time as delivering additional workstreams not in the original BP2 plan. However, we note NESO made slower progress than expected on development of the CSNP Methodology, which may have an impact on the final submission in BP3.

### **New activities and NESO transition**

NESO undertook its new activities, such as, the Advisory Role and Whole System Security and Resilience functions, with full commitment. The CP2030 Advice and the North Hyde investigation exemplified NESO’s ability to deliver high quality work at pace. NESO’s other new activities, like SSEP and RESP, had mixed performance. We acknowledged that SSEP walked a difficult and sensitive path between independence and collaboration, but some industry participants noted insufficient engagement. The Enduring RESP work had good communication and engagement, but transitional RESP failed to deliver its initial agreed upon scope. We believe NESO must increase focus on demonstrating Value for Money across these new activities as headcount numbers have notably (and understandably) increased but with insufficient evidence provided on how NESO sought to optimise trade-offs between delivering benefits at lowest cost.

New gas-related activities appeared slower to get off the ground than stakeholders hoped and there was significant feedback that NESO should engage a greater variety of stakeholders and be more transparent with planning and data sharing.

Delivery of the transition from ESO to NESO was strong with effective collaboration and communication throughout the implementation work. However, again, we believe greater attention to demonstrating value and lean efficiency could have been provided.