

Consultation

Implementation of NESO's enduring regulatory framework

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We¹ are consulting on the detailed implementation of our August 2025 policy decision on National Electricity System Operator (NESO)'s enduring regulatory framework. This includes the changes we propose to make to:

- The Electricity System Operator Licence;
- The Gas System Planner Licence;
- The NESO Licence Expectations Document;
- The NESO Performance Arrangements Governance Document; and
- The NESO Financial Handbook.

We would like views from any interested stakeholders and members of the public. We intend to make our decision in March next year and for the changes to come into effect from 1 April 2026.

¹ The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this Decision letter, 'we', 'Ofgem', and 'Authority' are often used interchangeably.

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1. Introduction

Section summary

We are consulting on the detailed implementation of National Electricity System Operator (NESO)'s enduring regulatory framework from 1 April 2026 onwards. This section explains the background to this consultation, the documents included as part of the consultation, and a summary of our key proposed changes.

Background

- 1.1 On 1 October 2024, National Energy System Operator (NESO) was established as an expert, impartial body with key responsibilities relating to planning and operating the energy system. NESO has a leading role in driving a secure and cost-effective transition to a clean energy system, and its overarching duties and objectives are unpinned by legislation.²
- 1.2 NESO is an independent, 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.
- 1.3 Over the last two years we have worked with stakeholders to develop a regulatory framework for NESO which reflects its change from a private company to a public body.³ This has involved a phased transition away from the RIIO price control framework, with key changes introduced at the time of NESO's implementation⁴ and further key changes introduced for the final year of NESO's RIIO-2 price control.⁵
- 1.4 In August 2025, we decided on our enduring regulatory framework for NESO that will apply from 1 April 2026 onwards, once the RIIO-2 price control period ends (the 'August 2025 Decision').⁶ In summary, we decided to introduce a framework that will focus on the major outcomes that NESO should deliver for the energy sector, at a cost that maximises value for consumers. We stated that our approach would be dynamic, targeted and proportionate, such that we would

² See sections 163-165 of the Energy Act 2023 for more details: [Energy Act 2023](#)

³ This work commenced with our initial consultation of the policy direction of NESO's regulatory framework in December 2023: [Consultation on the policy direction for the Future System Operator's regulatory framework](#)

⁴ Our joint response with government to the NESO licences consultation: [National Energy System Operator \(NESO\) licences and other impacted licences: statutory consultation](#)

⁵ Our decision on the RIIO-2 Business Plan 3 Framework: [Decision on NESO's performance incentives framework for BP3](#)

⁶ Our decision on NESO's enduring regulatory framework: [Decision on the enduring regulatory framework for NESO](#)

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focus attention on the most consequential or valuable outcomes, which may change over time. The key components of our August 2025 Decision included:

- **Business Plans:** We decided that NESO will produce a Business Plan every two years, in consultation with industry. These plans will set out the key outcomes NESO is seeking to achieve over the two-year period and well as NESO's cost forecasts and justifications. These plans will link back to longer term Strategic Aims.
- **Performance incentives:** We decided to maintain an annual, public assessment of NESO's performance – focussed on NESO's achievement of performance outcomes (established through the two-yearly Business Plan process) and its delivery of value for money.
- **Stakeholder mechanisms:** We decided to maintain stakeholder feedback as a critical component of the performance assessment process for NESO. Our decision included establishing the Independent Challenge Panel (ICP) – an industry-led panel with members from across the energy sector who would provide coordinated feedback on NESO's Business Plans and performance.
- **Licence obligations:** We decided to adopt a strategy of moving towards primarily outcomes-focussed requirements to underpin the minimum standards expected for NESO, retaining prescriptive requirements for situations where there are greater risks. We outlined our intention to remove lower-value Ofgem approvals of NESO outputs.
- **Senior staff performance-related pay:** We decided to set new principles-based licence requirements on how NESO should take account of regulatory outcomes in its performance-related pay for senior staff. This reflected NESO's transition to a not-for-profit body and the loss of an inherent financial motive on NESO to reflect regulatory performance incentives into its decisions on performance-related pay.
- **Cost regulation:** We decided to maintain a pass-through funding model for NESO supported by a dynamic ongoing value for money assessment. We said we would also review and consolidate cost reporting requirements to remove any unnecessary duplication and burden.
- **Regulatory finance:** We decided to have a minimal ongoing role in the regulation of NESO's finances given it is a public, not-for-profit company with financial accountabilities to government.
- **Innovation funding:** We decided NESO would retain access to distinct innovation funding through the RIIO-3 Network Innovation Allowance (NIA) and Strategic Innovation Funding (SIF) mechanisms.

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- 1.5 In our August 2025 Decision, we highlighted that we would engage on the detailed implementation of these policy decisions later in 2025 – which is the purpose of this document.
- 1.6 As outlined in our August 2025 Decision, this consultation presents a further opportunity for stakeholders to shape key details of NESO’s enduring regulatory framework. This includes our approach to setting NESO’s minimum licence standards, our approach to consolidating cost and financial processes, the specific requirements on senior staff performance-related pay, our proposed implementation of the ICP, and the detailed assessment and reporting processes under NESO’s incentives arrangements.

What are we consulting on?

- 1.7 We are consulting on the implementation of our August 2025 Decision on NESO’s enduring regulatory framework. Specifically, we are consulting on our proposed changes to:
- The Electricity System Operator (ESO) Licence
 - The Gas System Planner (GSP) Licence
 - The NESO Licence Expectations Document (LED)
 - The NESO Performance Arrangements Governance Document (PAGD)
 - The NESO Financial Handbook
- 1.8 Alongside this consultation document, we have published a statutory notice of our proposed modifications to NESO’s ESO Licence and GSP Licence using our powers under section 169 the Energy Act 2023.⁷ We have published the proposed amendments to each licence as subsidiary documents to this consultation. Chapter 2 of this document sets out the reasons for making these licence changes and the effects of these changes.
- 1.9 We have published draft versions of the NESO LED, the NESO PAGD, and the NESO Financial Handbook alongside this document. We have provided clean, rather than tracked, versions of these documents given the significant content and structural changes that would make tracked versions hard to follow.⁸ Our proposed changes to these documents are summarised in Chapters 3, 4 and 5 respectively.

⁷ [Energy Act 2023](#)

⁸ For existing versions of these documents please see: [NESO regulatory framework: decision on associated documents for the BP3 period | Ofgem](#), and [Financial Handbook: National Energy System Operator \(NESO\) | Ofgem](#)

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- 1.10 To clarify, in this document, we are not consulting on changes to the RIIO-3 NIA Governance Document, RIIO-3 SIF Governance documents, or the new proposed CSNP Coordination Governance Document. These associated documents, whilst applicable to NESO, are subject to a separate consultation through the RIIO-3 licence change process, which we expect to publish in December. The scope of the consultation in this document in those areas is limited to the changes made to NESO's licences.
- 1.11 In addition to seeking views on the implementation of our August 2025 Decision, we also welcome any more general views from stakeholders on key areas of future consideration for NESO's regulatory and governance framework (as discussed further in paragraphs 1.37 to 1.39 below).

Summary of our proposed changes

- 1.12 We are proposing to make a suite of changes across NESO's licences and associated documents. Our key proposed changes are summarised in the sections below. We have also provided a description of where to find more information on these changes to help you navigate this consultation and find the changes of most interest.

Clearer minimum standards

- 1.13 Following a comprehensive review, we are proposing material changes to Condition C1 and Condition C9 of NESO's licences, as well as the NESO LED. Our changes aim to consolidate, clarify and update existing requirements in line with our August 2025 Decision to move towards setting outcomes-focussed requirements for NESO. We consider our proposed changes create a clearer, more enforceable, and more enduring set of minimum licence standards for NESO to meet.
- 1.14 Please see Chapter 3 for a further explanation of the approach we have taken to reviewing and updating Condition C1 and the NESO LED and a description of the key changes we have made. Details on our proposed changes to Condition C9 can be found in the reasons and effect contained in Chapter 2.

Requirement to produce a Remediation Plan

- 1.15 We are proposing the addition of a new provision within Condition C1 of NESO's licences whereby we could direct NESO to produce a 'Remediation Plan'. This would allow us take regulatory action, when necessary, in response to a material, growing performance issues in a more targeted and timely manner than through our incentive arrangements alone. This proposed new requirement is explained further in Chapter 3.

Consultation Implementation of NESO's enduring regulatory framework**Consolidated financial reporting requirements and processes**

- 1.16 Further to our August 2025 Decision, this consultation outlines our detailed approach to consolidating the different cost and financial processes and reporting requirements across NESO's licences and associated documents. Specifically, our proposed changes will mean that the processes associated with the Regulatory Instructions and Guidance (RIGs) (including the Regulatory Reporting Packs (RRPs)) will no longer apply to NESO. We are additionally proposing to remove the Data Assurance Guidelines processes for NESO.
- 1.17 Following our review, we are integrating a few residual reporting requirements of value from the RRP into the processes and requirements in the NESO PAGD and NESO Financial Handbook. We are also proposing to have one unified and consistent data template (the 'NESO Cost Template') for NESO to populate at appropriate points during each Business Plan period.
- 1.18 To align with our August 2025 Decision, we are proposing to significantly reduce the level of Ofgem review of NESO's calculation of allowed revenues under the annual NESO Financial Model process. We are instead placing more onus on NESO to robustly self-assure its allowed revenue calculations. This is through a new overarching licence requirement on NESO to ensure it has the appropriate internal governance in place to verify those calculations.
- 1.19 For further explanation of these changes, please see the reasons and effects for Condition D5, Condition F5, and Condition G3 in Chapter 2, as well as our summary of changes to the Financial Handbook contained in Chapter 5.

Requirements on performance-related pay for senior staff

- 1.20 Further to our August 2025 Decision, we are consulting on new principles-based requirements which aim to ensure our annual performance assessments are a material factor in the NESO Board's decisions on performance-related pay for senior NESO staff.
- 1.21 We continue to believe a clear relationship between regulatory outcomes and performance-related pay for senior staff is important for the effective and credible regulation of not-for-profit bodies. Unlike other private companies we regulate (e.g. the network licensees), NESO does not have an inherent financial motive to factor Ofgem incentives or enforcement decisions within its staff remuneration packages. We believe this creates the need for additional regulatory protections over senior performance-related pay for NESO, and potentially also for any similar not-for-profit bodies we may regulate in the future.
- 1.22 At the same time, as discussed in our August 2025 Decision, we consider there is a need to avoid overly intrusive requirements. This could have the unintended

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consequence of undermining the independence of the NESO Board and disproportionately restricting NESO's ability to establish an approach to staff remuneration that can best empower it to achieve its energy sector objectives.

1.23 There is a spectrum of potential approaches to the drafting of licence requirements in this area, and we have most closely considered three broad options:

- Option 1: Higher-level principles-based requirements (along the lines of our proposed text for Part A of Condition F7).
- Option 2: The same higher-level principles-based requirements, supported by a time-limited ability for Ofgem to 'object' to NESO's provisional performance-related pay awards, where we consider they are materially unaligned with these remuneration principles (along the lines of our combined proposed text for Part A and Part B of Condition F7).
- Option 3: More detailed principles-based requirements (for example, replacing Part A with more specific and detailed requirements on the methodology the NESO Board should use for its performance-related pay decisions) and/or a mandatory requirement for NESO to seek explicit Ofgem approval that its provisional performance-related pay decisions for senior staff meet the remuneration principles (for example, a revised approach to Part B that replaces the timebound objection with a mandatory annual approval).

1.24 In line with our stated intention in the August 2025 decision, we have further reviewed how transparency and reporting requirements can support these arrangements. Under all options, we consider that additional appropriate public reporting on how NESO has considered the remuneration principles is important to support transparency and accountability (see Part C of the proposed Condition F7 text for our proposed publication requirements).

1.25 We note that in our August 2025 Decision we said our focus initially was on principles-based requirements and transparency requirements, and we would only seek to introduce stronger measures (such as ex-post measures to block bonus payments, like those introduced in the water sector) if examples emerged of NESO insufficiently taking account of regulatory outcomes.

1.26 For the avoidance of doubt, we are not seeking views on Options 2 and 3 at this point because any such examples have emerged. Instead, we want to fully test a range of options. This is given the strong interest in this topic from stakeholders; our desire to put in place effective and transparent long-term arrangements; and the benefits of considering the full practicalities and risks around relying solely on the ex-post enforcement of principles as a suitable remedy to any future material

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misalignment in views on performance-related pay. We also do not consider that these proposed options are as strong an intervention as the performance-related pay mechanisms recently introduced in the water sector – in the event of a material misalignment in views between Ofgem and NESO, NESO would be required to reconsider its decisions rather than all bonuses being banned or blocked from consumer bills entirely.

- 1.27 Option 1 would provide NESO with relatively greater flexibility on its approach to, and the timing of, senior performance-related pay, whilst setting clear, required principles on what should inform the decisions. This would limit challenges to the NESO Board's independence, but there would be more scope for NESO to make final remuneration decisions that misalign with Ofgem's interpretation of the application of the remuneration principles. This creates an increased risk of complex and potentially prolonged enforcement action being the main remedy to situations where there is material misalignment in views.
- 1.28 Option 2 would mitigate this risk by building a step into the annual process to limit the scope for misaligned interpretations, prior to final remuneration decisions being made by NESO. For clarity, we would not expect this to be a regularly used approval process, but a backstop protection to identify, and prevent, material mismatches. This would facilitate more timely and effective remedies where they are needed, but it would also involve relatively greater challenges to the NESO Board's independence compared to Option 1. This includes reducing NESO's scope to make senior performance-related pay decisions in the timeframes it considers appropriate.
- 1.29 Option 3 provides the relatively greatest level of assurance that NESO's senior pay decisions align with regulatory outcomes, as those outcomes would be more prescribed. However, it also creates the greatest challenges in relation to empowering the NESO Board to independently set NESO up for success.
- 1.30 Our aim is to strike an appropriate balance between giving the NESO Board sufficient independence over its approach to remunerating staff, whilst giving Ofgem the ability to protect consumers and uphold the effectiveness and credibility of NESO's regulatory framework. We are keen to test various options and currently consider this balance can be best achieved by either Option 1 or Option 2. Previous feedback from industry has highlighted the importance of getting this balance right and we welcome views from all stakeholders on the options we've considered as well as any specific drafting suggestions.
- 1.31 Please see the reasons and effects for Condition F7 in Chapter 2 for further information on the proposed licence requirements under Options 1 and 2.

Consultation Implementation of NESO's enduring regulatory framework**Implementation of the Independent Challenge Panel (ICP)**

- 1.32 We are proposing changes to NESO's licences and the NESO PAGD to implement the detailed arrangements for the ICP. This includes details on the ICP's responsibilities, outputs, membership process, administration, and the role of the ICP chair. We have also set out the specific requirements on NESO to engage effectively with the ICP. Please see the reasons and effects for Condition G2 in Chapter 2 as well as Chapter 4 for further information.

Clearer performance assessment process

- 1.33 We are proposing several changes to the NESO PAGD to clarify and improve the performance assessment processes. This includes changes to clarify how the two-yearly enduring Business Plan determinations process will establish expectations for each annual performance assessment, as well as changes to the end of year grading categories and associated guidance. Please see Chapter 4 for further explanation.

Other changes

- 1.34 In addition to the key changes above, we are proposing several other changes to NESO's licences and associated documents to fully implement our August 2025 Decision, to clarify and improve the licences introduced alongside NESO's designation (known as 'NESO Day 1'), and to ensure NESO's framework is coordinated with the RIIO-3 price controls. This includes changes to:
- Remove various Ofgem approvals that we consider have low relative value. This includes our approval of NESO's travel and expenses policy, our approval of the format of certain documents, and our required annual review of all NESO's Balancing Services statements. In some cases, we have replaced these existing approvals with new licence principles and/or a backstop ability to direct changes to these documents.
 - Improve the clarity of the NESO Day 1 licence conditions on electricity system restoration and energy system resilience.
 - Establish requirements on NESO to provide reports to Ofgem on the quality and timelines of Transmission Operator (TOs)'s information submissions to NESO under the Centralised Strategic Network Plan (CSNP) - designed to support new obligations on TOs under RIIO-3.
 - Reflect the move to a two-year Business Plan cycle for NESO and to clarify the link between NESO's Business Plan and its Strategic Aims.
 - Enable NESO to access the RIIO-3 NIA and to carry over NIA funding from RIIO-2 (in line with the policy for network companies under RIIO-3).

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- Generally improve the clarity of the licence, address housekeeping issues, and remove provisions that are out of date, redundant or unnecessary.

1.35 These changes are set out in more detail in the reasons and effects for each of the licence conditions, contained in Chapter 2.

1.36 Our consultation process is outlined at the end of this chapter. Subject to this consultation, we intend to make the proposed modifications to NESO's ESO Licence and GSP Licence, as well as directions to issue the NESO PAGD, NESO LED and NESO Financial Handbook, by the end of March 2026. All changes would then take effect from 1 April 2026 onwards.

Ongoing review of NESO governance and regulation

1.37 Although our planned decision in March would mark the end of the process for transitioning NESO away from the RIIO framework into a more appropriate set of regulatory arrangements, we do not think this means there will be no need to consider further changes to our approaches in the future.

1.38 We are still in the relatively early days of NESO's existence, and we are continuing to gain insight from our practical experience of regulating NESO and the novel working relationships between Ofgem, NESO and government. We do not consider that NESO's regulatory framework, or the landscape of energy roles and responsibilities, should be thought of as static. We intend to continue to work with NESO and government to explore how NESO's overall governance and regulatory framework can best evolve over time. This includes drawing in any further insight from the experiences learned and approaches adopted for public bodies elsewhere (such as in financial services and other relevant sectors).

1.39 In addition to views on the implementation of our August 2025 Decision, we welcome any more general views from stakeholders on key areas of future consideration for NESO's regulatory and governance framework. While these broader views will not inform our specific decision in March, they will feed into to our ongoing consideration of future workplans.

Consultation question:

Q1. Do you have any suggestions on key areas of NESO's regulatory and governance framework which require further review, including any relevant learnings from other sectors? *(Please note this feedback will not inform our March decision and will instead be considered as part of our future work planning).*

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Consultation stages

Stage 1 Consultation open: 11 December 2025.

Stage 2 Consultation closes: 26 January 2026.

Stage 3 Responses reviewed: January to February 2026.

Stage 4 Consultation outcome (decision, licence modifications and directions): by end of March 2026.

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can. A summary of questions is included in 0.

We will publish non-confidential responses on our website.

Subject to interest, we are also planning to organise two in-person licence workshops (one in London and one in Glasgow) to discuss the proposed changes in more detail. This will focus on the areas of major change, including Condition C1 and the NESO LED. To register for a workshop, please visit the hyperlink provided on our consultation webpage.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions

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and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations in 0.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

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2. Changes to the ESO Licence and GSP Licence

Section summary

This chapter sets out the reasons and effects for our proposed amendments to each condition within NESO's ESO Licence and GSP Licence.

Background

- 2.1 NESO holds two distinct licences - the Electricity System Operator (ESO) Licence and the Gas System Planner (GSP) Licence. Some licence conditions are specific to either the ESO Licence or GSP Licence, whilst some are replicated across both licences.
- 2.2 We are proposing changes to several conditions in the ESO Licence and GSP Licence. We have set out the specific reasons and effects for our changes to each condition below. These should be read alongside our proposed modifications to the ESO Licence and GSP Licence, which are published as subsidiary documents on the webpage for this main consultation document.
- 2.3 Unless otherwise specified in summary tables, the condition numbers listed in the titles below refer to the condition numbers in the ESO Licence. Where there is an equivalent change to the same condition in the GSP Licence, we have stated the GSP Licence condition number that should be referred to in the associated summary table. Where there is a change to both licences, the reasons and effects apply consistently to both licences unless otherwise specified.

Reasons and Effects

Condition A1: Definitions

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition A1
Associated Document	N/A

- 2.4 The reason for amending this condition is to update the licence definitions associated with our licence changes. This includes deletions, amendments and the addition of new definitions.
- 2.5 The effect of this change is that the licence has clear and complete definitions.

Consultation Implementation of NESO's enduring regulatory framework**Condition A2: Interpretations**

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition A2
Associated Document	N/A

2.6 The reason for amending this condition is to clarify that NESO must produce any documents referred to in both the ESO Licence and GSP Licence in the same manner, form and submission process (rather than just certain listed documents). It is also to create the correct reference to the NESO Financial Handbook.

2.7 The effect of this change is to clarify and future-proof the licence.

Condition B1: Independence Requirements and compliance obligations

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition B1
Associated Document	N/A

2.8 The reason for amending this condition is to remove the requirement for NESO to seek approval from the Authority on the form of Compliance Report.

2.9 The effect of this amendment is that NESO can choose its own format for the Compliance Report. This is aligned with our August 2025 Decision to only retain Ofgem approvals in situations where they are clearly necessary or beneficial.

Condition B7: Information ringfencing obligations

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition B6
Associated Document	N/A

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2.10 The reason for amending this condition is to remove the requirement for NESO to seek approval from the Authority on the form of the code of conduct document.

2.11 The effect of this amendment is that NESO can choose its own format for the code of conduct document. This is aligned with our August 2025 Decision to only retain Ofgem approvals in situations where they are clearly necessary or beneficial.

Condition C1: General principles and minimum standards

Type of Change	Major amendments
Licence impacted	Both
Equivalent GSP Condition	Condition C1
Associated Document	NESO LED

2.12 The reasons for amending this condition are outlined in Chapter 3.

2.13 The effect of amending this condition is to create clearer and more enforceable minimum licence standards for NESO to meet, which are aligned with our August 2025 Decision. See the 'benefits and impacts' section in Chapter 3 for more information on the effects of these modifications.

Condition C4: Electricity System Restoration Standard

Type of Change	Amendments
Licence impacted	ESO
Equivalent GSP Condition	N/A
Associated Document	N/A

2.14 The reason for amending this condition is to reflect latest policy developments and improve clarity. This includes changes to:

- Reflect that NESO has now received a direction from the Secretary of State to designate the Electricity System Restoration Standard, which must be met by 31 December 2026;
- Clarify the date on which the Electricity System Restoration Assurance Framework should be submitted to Ofgem each year;
- Provide updated requirements on what should be included within the Electricity System Restoration Assurance Framework; and

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- Clarify the licence drafting in general.

2.15 The effect of these changes is ensuring the requirements reflect the latest expectations we have for NESO in relation to electricity system restoration. This supports the effective continued implementation of NESO's Day 1 roles.

Condition C7: Energy resilience and resilience reporting

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition C6
Associated Document	N/A

2.16 The reason for amending this condition is to update and clarify requirements on NESO in relation to energy system resilience. This includes:

- Making it clear that NESO can self-initiate its own post-event and post-emergency assessments without an Ofgem or Secretary of State request. The changes also require NESO to notify Ofgem and the Secretary of State of these self-initiated reviews and to have regard to any guidance issued by Ofgem on the circumstances in which reviews are appropriate;
- Clarifying that the scope of the Energy Resilience Assessment Report should include gas networks and interconnectors, and that the Industry Readiness and Preparedness Report should include electricity generators;
- Requiring that NESO should provide updates against previous reports in its Energy Resilience Assessment Report and the Emergency Processes Assessment; and
- Setting a requirement for NESO to engage with the Authority and the Secretary of State on the scenarios used in the Emergency Processes Assessment, prior to determining those scenarios.

2.17 The effects of proposed changes are to:

- Provide clarity and transparency on NESO's ability to self-initiate post-event and post-emergency reviews, as well as clarifying the scope and required contents of key resilience reports provided by NESO;
- Promote effective coordination between NESO, Ofgem and DESNZ on energy system resilience issues; and
- Support the effective continued implementation of NESO's Day 1 roles.

Consultation Implementation of NESO's enduring regulatory framework**Condition C9: Design, procurement and use of balancing services**

Type of Change	Major amendments
Licence impacted	ESO
Equivalent GSP Condition	N/A
Associated Document	N/A

2.18 The reasons for amending this condition are to:

- Move requirements on non-discriminatory procurement into a consolidated version of Condition C1 (allowing for new supporting NESO LED guidance on how NESO should comply with this requirement);
- Incorporate relevant granular requirements from the existing version of Condition C1 into Condition C9. This includes moving existing Condition C1 requirements related to Balancing Services consultations and derogations into Part A of proposed Condition C9, and moving existing Condition C1 requirements related published balancing services data into Part B of the proposed Condition C9;
- Introducing clear cross-references between the specific requirements in C9 and relevant general requirements on Balancing Services in Condition C1. This includes requiring NESO's Balancing Principles Statement to be compatible with relevant Condition C1 requirements;
- Remove our mandatory approval of the specifications for non-frequency Balancing Services, replacing this with an ability for Ofgem to direct changes when necessary;
- Set a requirement for NESO to provide transparency on the findings from the annual independent audit it is required to carry out alongside its Balancing Services Annual Report;
- Improve and clarify the governance process for NESO's various Balancing Services statements. This removes the mandatory annual submission to Ofgem and instead introduces clearer consultation requirements and an ability for Ofgem to direct changes to the statements where necessary; and
- Generally, improve the wording and structure of the condition.

2.19 The effect of the proposed changes is to more clearly set out requirement on NESO related to the design, use and procurement of Balancing Services. This includes more clearly differentiating between key overarching principles (contained in a revised Condition C1) and requirements on specific outputs and process (contained in a revised Condition C9).

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- 2.20 The changes to the audit requirements for the Balancing Services Annual Report will support transparency on how well NESO is performing against its obligations and create greater accountability.
- 2.21 The changes to the governance of C9 statement will lead to less regulatory burden, enabling Ofgem and NESO to dedicate resource to other areas of consumer value.
- 2.22 Please note that for the avoidance of doubt, changes to this condition are not intended to replace, override, or limit any statutory duty or duty under Assimilated Law imposed on NESO with respect to the Balancing Services.

Condition C12: Production of information about the National Electricity Transmission System

Type of Change	Amendments
Licence impacted	ESO
Equivalent GSP Condition	N/A
Associated Document	N/A

- 2.23 The reason for amending this condition is to remove the obligation on the licensee to seek approval from Ofgem on the proposed form of Electricity Ten Year Statement (ETYS). We instead propose to require NESO to notify Ofgem of its proposed changes to the ETYS alongside a summary of consultation responses and an explanation of how the changes better achieve the Development Information Objectives. Ofgem would instead have a power to direct changes to the ETYS, where this is necessary.
- 2.24 We also propose to remove the requirement for Ofgem to determine the appropriate redactions from the ETYS and instead place this responsibility on NESO. In addition, we propose general updates to clarify existing text (including clarifying that publishing the ETYS on NESO's website is a sufficient way to provide a copy to stakeholders).
- 2.25 The effect of the amendment is to place greater responsibility on NESO to determine what changes are needed to the form of the ETYS to better meet the Development Information Objectives. This is aligned with our August 2025 Decision to progress towards outcomes-focussed regulation and only retain approvals in situations where they are clearly necessary or beneficial. We consider that our proposed principles-based requirement on information

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accessibility and transparency in Condition C1 are a more appropriate form of regulation.

Condition C13: The Network Options Assessment (NOA) process and reporting requirements

Type of Change	Amendments
Licence impacted	ESO
Equivalent GSP Condition	N/A
Associated Document	N/A

2.26 The reason for amending this condition is to remove the obligation on NESO to seek approval from Ofgem on the proposed form of the Network Options Assessment (NOA) Report. We are also making some general updates to clarify text (including clarifying that publishing the NOA Report on NESO's website is sufficient way to provide a copy to stakeholders).

2.27 The effect of the amendment is placing greater responsibility on NESO to determine the right format for the NOA report. This is aligned with our August 2025 Decision to progress towards outcomes-focussed obligations and only retain approvals in situations where they are clearly necessary or beneficial. We consider that our proposed principles-based requirement on information accessibility and transparency in Condition C1 are a more appropriate form of regulation.

Condition C17: Centralised Strategic Network Plan

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	C12
Associated Document	CSNP Coordination Governance Document

2.28 The primary reason for amending this condition is to place a new requirement on NESO to report to Ofgem on the timeliness and quality of the information and data provided by Transmission Owners (TOs) to NESO under the Centralised Strategic Network Plan (CSNP) process. This is to support the effectiveness of the new

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CSNP Coordination licence obligation being placed on TOs through the RIIO-3 price control process.⁹

2.29 These arrangements will be supported by a new CNSP Coordination Governance Document applicable the TOs and NESO. The proposed changes to Condition C17 will create a new requirement on NESO to comply with this governance document and will set out the process Ofgem will follow to issue and amend the governance document.

2.30 Please see the RIIO-3 licence change consultation, which will be published in December 2025, for further details on contents of CSNP Coordination Governance Document itself.

2.31 The effect of this licence change is help ensure Ofgem has the information it needs to monitor TO's compliance with the CSNP Co-ordination licence obligation, increasing incentives on TOs to provide high quality data and information as part of the CSNP. This will improve the overall effectiveness of the CSNP and therefore help NESO deliver its envisioned Day 1 strategic planning roles more effectively. It will also promote coordination between NESO's regulatory framework and the RIIO-3 price controls, which was one of our design principles for NESO's enduring regulatory framework.¹⁰

2.32 We are also:

- Removing the requirement on NESO to get approval from Ofgem on the format of the CSNP. We are instead placing the onus on NESO to ensure the format of the CSNP document aligns with any requirements in the CSNP Guidance. This aligns with our August 2025 Decision only retain Ofgem approvals where this is clearly beneficial or necessary.
- Correcting an error, whereby gas transporter licence holders should have been referenced in addition electricity transmission licence holders.

Condition D5: Data assurance requirements

Type of Change	Removed
Licence impacted	Both
Equivalent GSP Condition	D4
Associated Document	N/A

⁹ Please see the RIIO-3 Financial Determination – electricity transmission: [RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem](#)

¹⁰ Please see Appendix 2 of our [Decision on the enduring regulatory framework for NESO](#).

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- 2.33 We propose to remove this condition. This is because we do not consider that these obligations and reporting processes are necessary for a not-for-profit body, which from April 2026 will no longer be regulated under the RIIO price control framework. We are replacing these detailed requirements with a broader licence principle for NESO to maintain data and information accuracy, set out in proposed Condition C1 (C1.36 of the ESO Licence and C1.14 of the GSP Licence).
- 2.34 The effect of amending this condition is that licensee no longer has obligations related to the Data Assurance Guidance (DAG). This aligns with our August 2025 Decision to consolidate cost and financial reporting processes and reduce unnecessary regulatory burden. This will enable Ofgem and NESO to direct resources at matters that have greater relative consumer value.

Condition F1: Expenditure and allowed revenue

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	F1
Associated Document	N/A

- 2.35 The first reason for amending this condition is to remove the provision in F1.4(b), which sets out that any NESO expenditure that is line with policies approved by Ofgem will not be considered as uneconomical, inefficient or wasteful. We are removing this because we are no longer approving NESO's remuneration and expenses policies (see Condition F7 below) and we do not consider there are any other policies where this is relevant. The effect of this is to align this condition with our proposed changes to Condition F7 and remove the risk of unintended consequences from maintaining this provision.
- 2.36 Only in the ESO Licence, we are also amending this condition to enable the correct calculation of NESO's allowed revenues under the Network Innovation Allowance (NIA) from April 2026 onwards. The effect of this is to allow NESO to carry-over unspent funding from RIIO-2, in line with the policy for RIIO-3 network companies. The changes also promote consistent terminology with the RIIO-3 price controls and the RIIO-3 NIA Governance Document.

Consultation Implementation of NESO's enduring regulatory framework**Condition F2: Innovation funding**

Type of Change	Amendments
Licence impacted	ESO
Equivalent GSP Condition	F2
Associated Document	RIIO-3 NIA Governance Document

2.37 The reason for amending this condition is to implement our August 2025 Decision for NESO to continue to have access to the NIA for the RIIO-3 period. The changes ensure there is the correct calculation and governance in place for NESO's allowed revenues under the NIA from 1 April 2026 onwards. This includes:

- The removal of the fixed RIIO-2 NIA cap from the licence. Instead, a RIIO-3 cap will be directed by the Authority following our assessment of NESO's NIA request for the RIIO-3 period.
- A provision to allow the Authority to re-direct NESO's NIA cap within the RIIO-3 period (where NESO provides evidence on the need for further funding through subsequent Business Plan submissions), in line with our August 2025 Decision.
- The inclusion of a new revenue term and associated calculation to allow unspent RIIO-2 NIA funds to continue to be spent in the first 18 months of the RIIO-3 period, in line with the policy for network companies.
- The removal of provisions which are no longer used, including those in relation to the RIIO-1 Network Innovation Competition (NIC) and Total Legacy NIA Expenditure.
- General updates and clarifications, including changes needed to refer to the correct NIA governance document for the RIIO-3 period to and to introduce a clearer structure.

2.38 The effect of amending this condition is to allow NESO to continue to have access to the NIA for the RIIO-3 period and to ensure the process for determining a NIA cap can fit within NESO Business Plan determination timescales. The changes also promote consistent terminology with the RIIO-3 price controls and the RIIO-3 NIA Governance Document.

2.39 Please see the RIIO-3 licence change consultation, which will be published in December, for further details on contents of RIIO-3 NIA Governance Document.

2.40 We are also proposing housekeeping modifications to amend previously unclear text in relation to the determination of the Strategic Innovation Fund term (SIFFT).

Consultation Implementation of NESO's enduring regulatory framework**Condition F3: Recovery of transmission network revenues**

Type of Change	Amendments
Licence impacted	ESO licence
Equivalent GSP Condition	N/A
Associated Document	N/A

2.41 The reason for amending this condition is to remove the term $NICF_t$ from NESO's calculation of the Maximum Revenue that can be recovered through Transmission Network Charges, as the RIIO-1 NIC it is no longer in operation.

2.42 The effect of this amendment is to clarify the licence and remove redundant revenue terms.

Condition F5: Financial Model and Handbook

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	F4
Associated Document	NESO Financial Handbook

2.43 The reason for amending this condition is to deliver our August 2025 Decision for Ofgem to have a minimal enduring role in the regulation of NESO's finances. This involves amending the existing process for Ofgem to assess and assure NESO's calculations of allowed revenues and instead placing a requirement for NESO to put in place appropriate internal assurance processes. We are also proposing to introduce a general power to direct changes to NESO's Financial Model where necessary, to replace a mandatory annual review.

2.44 We are also making amendments to ensure the correct cross referencing between this condition and the NESO Financial Handbook. This includes adopting consistent document titles and making it clear that the NESO Financial Handbook may also impose requirements in relation to defined benefit pension costs.

2.45 The effect of these amendments is to ensure there is a proportionate level of regulation of NESO's allowed revenues, reflecting NESO's not-for-profit status. There will be greater responsibility on NESO to put in place appropriate internal

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assurance processes. The changes also ensure a clear link between this condition and the NESO Financial Handbook, improving enforceability.

2.46 These changes have been made alongside our proposed changes to the NESO Financial Handbook (see Chapter 5 for more information).

Condition F7: Requirements on staff remuneration and expenses

Type of Change	Major amendments
Licence impacted	Both
Equivalent GSP Condition	F5
Associated Document	NESO Financial Handbook

2.47 The reason for amending this condition is to implement our August 2025 Decision to replace the existing Ofgem approvals of a Remuneration Policy and an Expenses Policy with new principles-based licence requirements.

2.48 The reason for requirements on performance-related pay for senior staff is because NESO is a not-for-profit body and therefore has no inherent financial motive to reflect regulatory outcomes into staff remuneration. We consider these types of requirements are necessary for not-for-profit bodies, to ensure the effectiveness and credibility of our regulation. Please see Chapter 1 for further context and a description of the options we are considering.

2.49 In Part A we have included the proposed principles that NESO would be required to meet in its framework for performance-related pay for senior staff. This includes requirements on NESO to ensure the Ofgem performance arrangements established under Condition G2 are a material component in NESO's decision-making on performance-related pay for senior staff. It also includes a requirement to ensure performance-related pay for senior staff creates strong incentives to promote licence compliance.

2.50 In Part B we have proposed a new process for Ofgem to have a timebound ability to 'object' to the provisional pay decisions made by NESO, if Ofgem considers that the principles in Part A have not been sufficiently considered. The purpose of this is to prevent material misalignment between Ofgem and NESO's interpretation of the requirements in Part A. Please note that this section of the requirements would either be reduced (e.g. to just the requirement in proposed paragraph F7.5 / F5.5 to notify Ofgem of provisional decisions) or not introduced at all if, following our consideration of responses, we decide on an approach that is more aligned with Option 1 than Option 2.

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- 2.51 In Part C, we have included proposed requirements related to transparency on staff remuneration. This includes maintaining a requirement on NESO to publish a remuneration policy (which we no longer approve), as well as new requirements to explain end of year decisions on performance-related pay for senior staff. We have developed these requirements to build on the information NESO is already expected to provide as part of its public Annual Reports.¹¹ This includes a higher level of transparency on decisions for key executive members compared to other executive level staff. We consider that transparency requirements support trust in NESO's decisions and are a pre-requisite for the adoption of requirements in Part A that have a relatively higher degree of flexibility for NESO.
- 2.52 In Part D, we have replaced the Ofgem approval of an Expenses Policy with explicit principles-based requirements for NESO to ensure it has a robust system of internal controls to govern its expenses, travel and hospitality costs. These controls should aim to ensure that this expenditure has a justified needs-case, delivers value for money and aligns with government expectations for public bodies. We are also proposing new requirements for transparency on this expenditure, which we consider support trust in NESO and are comparable to those faced by other public bodies.
- 2.53 We consider that these requirements will be effective at delivering the policy intent outlined in our August 2025 Decision. We consider these requirements will have the effect of:
- Improving the impact and effectiveness of our annual performance assessments as a tool to regulate a not-for-profit NESO;
 - Maintaining strong incentives on NESO to comply with its licences, in the absence of shareholder penalties;
 - Mitigating the risk of material misalignment between NESO's performance under the regulatory framework and NESO's performance-related pay, supporting stakeholder confidence and the credibility of NESO's regulatory framework (to a greater degree under Option 2 than Option 1);
 - Creating additional reputational incentives on NESO to ensure the good use of consumer money under its pass-through funding mechanism;
 - Retaining an appropriate level of flexibility and discretion for the NESO Board to determine how in practice it should remunerate its staff and set NESO up for success (to a greater degree under Option 1 rather than Option 2); and

¹¹ [National Energy System Operator: Annual report and accounts](#)

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- Ensuring a proportionate approach the regulation of travel, expenses and hospitality costs.

2.54 We welcome views from all stakeholders on the approach taken in this area. In relation to performance-related pay requirements, this includes any views on the broad options set out in Chapter 1 and any comments on the proposed drafting for Options 1 and 2. We are interested in views on how we can strike the right balance between ensuring the effectiveness and credibility of NESO's regulatory framework whilst retaining an appropriate level of discretion for the NESO Board. We note that the options in Chapter 1 are not intended to be exclusive or exhaustive, and we welcome views on any variations to our proposed text.

Condition F10: ISOP implementation funding

Type of Change	Amendments
Licence impacted	ESO
Equivalent GSP Condition	N/A
Associated Document	FSO Transition Funding Governance Document (Removal)

2.55 The reason for amending this condition is to remove provisions that govern the payments made by NESO to National Grid plc for separation activities that happened before NESO Day 1 (known as the 'CTA1' arrangements). This is because all payments under CTA1 have now been confirmed and made. This would also remove the FSO Transition Funding Governance Document as an applicable associated document to the ESO Licence from 1 April 2026.

2.56 For the avoidance of doubt, we are seeking to maintain all provisions related to payments to National Grid plc for separation activities carried out after NESO Day 1 (known as 'CTA2') as those arrangements are still ongoing.

2.57 The effect of these changes is that it ensures that the licence reflects only current and relevant obligations, avoiding confusion and promoting clarity.

Consultation Implementation of NESO's enduring regulatory framework**Condition G1: Strategic Aims and Business Plan**

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition G1
Associated Document	NESO Business Plan Guidance

2.58 The reason for amending this condition is to update and clarify requirements in relation to Strategic Aims and Business Plans in response to our August 2025 Decision. This includes:

- More clearly separating out requirements on Strategic Aims from the requirements on Business Plans. This is to make it clear that the Strategic Aims can be developed separately, and on different timeframes, from NESO's Business Plan submissions. It also further implements our decision on how and when Strategic Aims should be maintained and updated;
- Reflecting our decision to move from an annual Business Plan submission to two-yearly Business Plans submissions;
- Updating requirements on Business Plans to use terminology which is more reflective of our August 2025 Decision; and
- Clarificatory changes to better align the ESO Licence and GSP Licence.

2.59 The effect of amending this condition improve the clarity of the licence and ensure there is alignment with our August 2025 Decision and the NESO Business Plan Guidance. This will ensure there are clear, consistent and enforceable expectations on NESO on Strategic Aims and Business Plans.

2.60 Please note that these changes broadly align with the changes already made to the live version of the NESO Business Plan Guidance, which was updated and published alongside our August 2025 Decision to govern NESO's submission for the 2026-2028 period. There may be minor consequential impacts on the NESO Business Plan Guidance (e.g. cross referencing) which we will seek to update prior to NESO's Business Plan submission for the 2028-2030 period.

Consultation Implementation of NESO's enduring regulatory framework**Condition G2: Performance reports and assessment**

Type of Change	Amendments
Licence impacted	Both
Equivalent GSP Condition	Condition G2
Associated Document	NESO Performance Arrangements Governance Documents

2.61 The main reason for proposing changes to this condition is to establish new requirements on the licensee to engage and cooperate with the Independent Challenge Panel (ICP), in line with our August 2025 Decision.

2.62 We are also proposing minor changes to:

- Adopt terminology which is more reflective of the focus of NESO's performance arrangements and aligned with the NESO PAGD;
- Clarify that performance reporting includes reporting on cost and expenditure (supporting our consolidation of cost reporting requirements and the removal of Condition G3); and
- Clarify that an assessment will be undertaken each Regulatory Year.

2.63 The effect of the proposed changes is that to ensure NESO engages effectively with the ICP and to improve the clarity of the condition.

2.64 Please note that most changes to establish the ICP and the details NESO's enduring performance arrangements are contained with our proposed NESO PAGD. Please see Chapter 4 for more details.

Condition G3: Regulatory Instructions and Guidance (RIGs)

Type of Change	Removed
Licence impacted	Both
Equivalent GSP Condition	Condition G3
Associated Document	RIGs

2.65 We propose to remove this condition, in line with our August 2025 Decision to consolidate costs and financial reporting and financial processes. This is because we consider that majority of the requirements and processes associated with the RIGs are unnecessary for a not-for-profit body, which from 1 April 2026 onwards

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will no longer be regulated under the RIIO price control framework. Instead, we are proposing that remaining cost and financial reporting requirements of value are included within relevant sections of either the NESO PAGD or the NESO Financial Handbook (see Chapters 4 and 5 for details).

- 2.66 The effect of amending this condition is to remove unnecessary requirements on the licensee and streamline reporting. This will enable Ofgem and NESO to direct resources at matters that have greater relative consumer value.

Consultation Questions

- Q2. Do you have any comments on our proposed licence changes including any specific drafting suggestions?
- Q3. Do you have any views on the proposed options and approaches to implementing new principles-based requirements on performance-related pay for senior NESO staff?

3. Condition C1 and the NESO Licence Expectations Document

Section summary

This chapter describes the changes we propose to make to Condition C1 of NESO's licences and the NESO Licence Expectations Document (LED) to implement our August 2025 Decisions.

This should be read alongside the draft versions of the ESO Licence, GSP Licence and NESO LED published on our website alongside this consultation.

Background

- 3.1 Condition C1¹² has historically been used to set general requirements on how NESO should perform its different activities. It was first introduced to provide greater clarity on what we expected from National Grid Electricity System Operator (NGESO) as part of its obligation to direct the flow of electricity onto and over the electricity system in an efficient, economic and coordinated manner.¹³ Over time, further requirements were added to reflect NGESO's expanding roles and responsibilities, including several changes at the start of the RIIO-2 price control.¹⁴ As part of the introduction of NESO's Day 1 licences, we made several changes to Condition C1 to reflect NESO's new roles and its broader set of statutory duties.¹⁵
- 3.2 The NESO LED¹⁶ has been in place since 2017. It was initially introduced to further expand on the behaviours we expected to see as part of NGESO's compliance with Condition C1 and to help establish baseline expectations under its performance incentives.¹⁷ For RIIO-2, the document was expanded to predominantly focus on setting detailed incentives expectations for all NESO's activities.
- 3.3 For the final year of RIIO-2 (BP3) we introduced a new approach to NESO's incentives and updated the NESO LED so that it became a document that solely provides guidance on how NESO should meet its licence obligations.¹⁸ Incentives

¹² Including predecessor condition SLC C16 and SLC C28.

¹³ See modifications to Standard Licence Condition C16 in: [so_incentives_-_decision_standard_licence_conditions_0.pdf](#)

¹⁴ See modifications to Standard Licence Condition C28 in: [Statutory Consultation on the RIIO-2 Licence Drafting modifications - reasons and effects \(PDF, 1.02MB\)](#)

¹⁵ See modifications to Condition C1 of the ESO licence in: [Response to statutory consultation on National Energy System Operator licences and other impacted licences](#)

¹⁶ Including predecessor documents called the 'ESO Roles and Principles' and 'Roles Guidance'.
¹⁷ [ESO Roles and Principles \(PDF, 668.05KB\)](#)

¹⁸ [Decision on National Energy System Operator's performance incentives framework for BP3 \(PDF, 289.74KB\)](#)

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expectations are now set out in our Business Plan Determinations instead of the NESO LED.

3.4 In our decision on the most recent version of the NESO LED for the BP3 period,¹⁹ we noted that we were only making targeted changes given the timeframes available but acknowledged the need for a more fundamental review of NESO's licence obligations and our use of guidance.

3.5 In our August 2025 decision on NESO's enduring regulatory framework we further set out that from 1 April 2026 we were aiming to:

- Review, improve and clarify the outcomes-focussed obligations which currently underpin the minimum standards expected from NESO's activities; and
- Fundamentally review our approach to the NESO LED so that it focusses on providing clear and necessary guidance in relation to key licence obligations.

Our approach to reviewing Condition C1 and the NESO LED

3.6 Given the incremental evolution of Condition C1 and the LED over the last decade, we have undertaken a comprehensive review of both sets of requirements. We have:

- Reviewed the full set of expectations across Condition C1 and the NESO LED, from both a top-down and bottom-up perspective;
- Sought to consolidate existing expectations across the combination of Condition C1 and the NESO LED into clearer outcomes and principles contained within Condition C1. This includes removing or amending expectations that are overly prescriptive, duplicative, or out of date, and removing expectations that are more relevant to incentives performance;
- Reviewed the interaction between Condition C1 and other conditions in NESO's licences and associated documents. This has been with the objective of avoiding any conflict or unnecessary overlap;
- Reviewed the interaction between Condition C1 and NESO's statutory duties to ensure compatibility;
- Reviewed how the NESO LED can best deliver its intended purpose of providing clear guidance around how NESO should meet its licence obligations; and
- Reviewed and amended the consolidated list expectations in Condition C1 and the NESO LED to reflect developments in NESO's roles since Day 1 and

¹⁹ [NESO regulatory framework: decision on associated documents for the BP3 period | Ofgem](#)

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the minimum standards we expect from NESO in general. This includes drawing in relevant feedback from previous stakeholder consultations and engagements, such as the feedback provided to our August 2025 Decision.

Summary of proposed changes

3.7 As a result of our review, we are proposing a comprehensive re-write of both Condition C1 and the NESO LED (although several proposed C1 conditions remain closely aligned with the existing ones). These changes are summarised below and can be seen in the versions of the ESO Licence, GSP Licence and NESO LED published alongside this document.

Condition C1

3.8 We propose that Condition C1 will set out the general principles the licensee must follow, and general minimum outcomes the licensee must seek to achieve, through the delivery of its activities. These general requirements are intended to support and align with the more specific, detailed requirements contained in other parts of this licence (such as activity-specific requirements in Section C).

3.9 We have grouped these general principles and outcomes-focussed requirements into the following areas in the ESO Licence:

- **Part A:** Operation of the electricity system. This contains requirements related to secure, efficient, transparent and coordinated electricity system operation. It also contains requirements on NESO to develop the capability for Net Zero compatible system operation, as well as requirements related to balancing market transparency and integrity.
- **Part B:** Energy system efficiency and resilience. This contains minimum general expectations on NESO in relation to promoting whole energy system resilience. It also contains requirements on NESO to promote the overall efficiency of the energy system through effective energy system forecasting and actions to facilitate digitalisation.
- **Part C:** Markets for electricity system services. This contains minimum standards for NESO in relation to its development and procurement of Balancing Services, including requirements related to market-based procurement, transparency, accessibility, and non-discrimination between providers. It also contains requirements related to coordination across transmission and distribution services and cross-border trading.
- **Part D:** Wholesale market arrangements, codes and charging. This contains requirements on NESO in relation to its effective delivery of its roles in code administration, Electricity Market Reform and charging. It also sets requirement on NESO in relation to influencing wider wholesale market design.

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- **Part E:** Energy system planning and connections. This contains requirements on NESO around ensuring energy system planning process are transparent and coordinated, as well as requirements on electricity connections processes and medium-term outage planning.
- **Part F:** Cross-cutting requirements. This part contains general requirements that apply across all NESO's activities. This includes requirements related to stakeholder engagement, impartial and transparent decision-making, providing accurate and accessible information, making evidence-based recommendations, and ensuring externally used processes are robust.

3.10 For the GSP Licence, Part A, Part C, and some parts of Part D and Part E would not apply as they are electricity-related expectations only. Please see the draft GSP Licence changes for details. We have not proposed any gas specific requirements, as we consider these are effectively captured within the proposed whole energy system requirements in Condition C1.

3.11 Overall, we are not intending through these changes to introduce any substantially new roles or responsibilities for NESO or requirements that would require significant new investment by NESO. We consider these revised requirements are in many cases consistent with the expectations we already have for NESO, as established through the existing Condition C1 and NESO LED.

3.12 However, there are several areas where our expectations have evolved as there has been greater clarity on how NESO's newer roles should be delivered (such as in energy system resilience and system planning). We have also proposed some newer, consolidated expectations, which are designed to reflect important standards that we expect NESO to uphold through all of its activities (including in relation to stakeholder engagement, evidence-based decision-making, and the implementation of industry-facing processes).

3.13 Our proposed changes to C1 also include updates to more clearly formalise the link between C1 and the NESO LED (see revised Part G).

NESO LED

3.14 We propose that the NESO LED should provide focussed guidance on individual requirements within Condition C1, rather than the current approach of providing granular expectations for all NESO's activities. This will create a stronger link between Condition C1 and the NESO LED.

3.15 We propose that the guidance within the NESO LED would support understanding of the individual Condition C1 requirements, by providing non-exhaustive examples of key actions and behaviours we expect, or don't expect, from NESO as part of its licence compliance. The NESO LED would be particularly used in

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situations where it would be less appropriate or too complex or restrictive to include such detail in the licence directly.

3.16 Whilst the Condition C1 requirements take precedence, and will remain the definitive obligations against which NESO's compliance will be assessed and enforced, the revised NESO LED would help to align expectations on some key ways Condition C1 should be interpreted.

3.17 Please see the draft NESO LED published alongside this consultation for details.

Notice of Remediation

3.18 Condition C1 contains a new proposed Part I containing a power for Ofgem to direct NESO to produce a Remediation Plan (via a 'Notice of Remediation').

3.19 We would issue a Notice of Remediation where we consider there is a need for NESO to provide greater assurance on the actions it is taking to remedy a material performance challenge. This would provide updated or clearer performance expectations and allow faster, and more targeted regulatory action compared to the use of NESO's performance incentives arrangements alone.

3.20 The Remediation Plan would set out NESO's intended actions to address the perceived performance challenge and would have to meet the requirements set out in the Notice of Remediation.

Benefits and impacts

3.21 Overall, we consider that our changes will set clearer, more appropriate and more enforceable minimum standards on NESO compared to the status quo. This will support wider understanding of NESO's obligations and help to incentivise NESO to maintain key standards of performance over time, delivering net benefits for the energy sector and consumers.

3.22 Our proposed changes align with our August 2025 Decision to move towards setting more outcomes-focussed licence obligations where appropriate. A greater focus on outcomes and principles will lead to a more dynamic and responsive regulatory environment. Our proposed changes will also future proof arrangements compared the status quo, minimising unnecessary burden from regular updates.

3.23 We consider that our proposed Condition C1 and NESO LED are well aligned with, and complementary to, NESO's statutory duties and other licence conditions. Other sections of NESO's licence typically have more focus on 'what' NESO should deliver (e.g. prescriptive requirements that focus on the specific timelines and outputs that NESO must meet). However, Condition C1 and the NESO LED have a greater focus on 'how' activities should be performed. Combined, this will

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help ensure that NESO's overall licence comprehensively captures the minimum standards we expect NESO to achieve.

- 3.24 As part of our review, we have considered whether the NESO LED guidance is needed at all. We believe that it is still necessary and beneficial to maintain the NESO LED alongside Condition C1, particularly in the shorter term. This will support a principles-based approach, by reducing the risk of unintended consequences from materially different interpretations or misunderstandings around the requirements captured within Condition C1.
- 3.25 Through our review, we have aimed to capture all key minimum outcomes and principles whilst also minimising unnecessary duplication between licence obligations. We welcome views from stakeholders on the drafting of any of the individual conditions and guidance, including any gaps, areas of overlap or areas which could be improved or further clarified.
- 3.26 We consider that our proposed new requirement for NESO to produce a Remediation Plan is aligned with our August 2025 Decision to adopt a more dynamic and targeted regulatory approach. It also builds from the feedback of we received from stakeholders on the need for potential additional ways of incentivising and overseeing NESO's performance in the absence of organisational financial incentives.
- 3.27 Relying on the performance assessment arrangements alone may not be sufficient to address material emerging issues. This is because the performance assessment is an annual process, based on biennially agreed Performance Outcomes. It also looks holistically at NESO performance. The Notice of Remediation could be issued to address specific issues, when needed. We also do not consider that it would be beneficial to wait until a known performance issue has grown into confirmed licence breach, given the importance of NESO's cross sector roles and significant energy sector consequences of failure.
- 3.28 The Notice of Remediation also has parallels with the existing 'Cost Efficiency Notice' in Condition F1, which was established in the NESO Day 1 licence as a lever to address material cost concerns. This change therefore promotes consistency in regulatory approaches across the licence.

Consultation Questions

- Q4. Do you have any comments on the approach we have taken to review and update Condition C1 and the NESO LED?
- Q5. Do you have any specific drafting suggestions for the requirements within Condition C1 and the associated guidance in the NESO LED?
- Q6. Do you agree with our proposed requirements in relation to a Notice of Remediation?

4. NESO Performance Arrangements Governance Document

Section summary

We are proposing several changes to the NESO Performance Arrangements Governance Document (PAGD) to implement our August 2025 Decision and clarify and improve the performance arrangements.

Please see the draft NESO PAGD published alongside this consultation for the detailed changes.

Background

- 4.1 The NESO PAGD establishes the detailed processes and requirements for NESO's regulatory performance arrangements. This includes the process and criteria we use to conduct our annual assessments of NESO's performance as well as the reporting NESO must produce to support this. The NESO PAGD also sets out the mechanisms through which NESO should collect and discuss stakeholder feedback on its performance. These arrangements are designed to create accountability and incentives on NESO to deliver excellent performance for the energy sector and consumers. The NESO PAGD is issued by direction under Part B of Condition G2 of the ESO Licence and the GSP Licence.
- 4.2 We have made material changes to NESO's performance arrangements over the last two years to reflect NESO's transition from NGESO. For Day 1 of NESO, we made key changes to reflect NESO's shift to a not-for-profit body.²⁰ We made further major changes at the beginning of NESO's third RIIO-2 Business Plan period (BP3).²¹ For BP3 period, we introduced a new assessment framework, moving away from the previous granular, output-based assessment approach to one more focussed on strategic outcomes and the delivery of value for money.
- 4.3 In our August 2025 Decision,²² we decided to retain an annual, public annual assessment of NESO's performance and adopt the same broad approach introduced for BP3. We also made several other decisions relevant to the NESO PAGD. This included our decisions to introduce the new Independent Challenge Panel (ICP) as a key component of NESO's performance arrangements, as well as decisions to maintain a requirement for a regular stakeholder survey. We also decided to adopt a dynamic approach to assessing and monitoring NESO's costs

²⁰ [Decision on Associated Documents to the anticipated NESO licences – regulatory framework documents | Ofgem](#)

²¹ [Decision on NESO's performance incentives framework for BP3 | Ofgem](#)

²² [Decision on the enduring regulatory framework for NESO](#)

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that is proportionate to the quality of up-front justification, year-on-year changes, and past performance.

- 4.4 We noted that we would consider more detailed suggestions made by stakeholders and consult on the detailed implementation of these decisions as part of our consultation on the NESO PAGD.
- 4.5 This chapter summarises our proposed changes to the NESO PAGD that would apply from 1 April 2026 onwards. This should be read alongside the draft NESO PAGD published alongside this consultation.

Summary of proposed changes

- 4.6 We are proposing several revisions to the NESO PAGD to reflect our August 2025 Decision and improve the overall clarity of the arrangements. The key changes are summarised in the sub sections below, together with our reasoning.

Process for setting NESO's performance expectations

- 4.7 We have amended Chapter 2 of the NESO PAGD to more clearly explain the different stages in NESO's performance assessment under the enduring arrangements.
- 4.8 This includes an explanation of how the two-yearly enduring Business Plan determinations process will set expectations for each annual performance assessment (see 'Stage 1: Setting performance expectations'). We have clarified that:
- the key outcomes NESO's should achieve are set through the combination of both NESO's Performance Objectives, and any subsequent expectations we set through the Business Plan determinations (the 'Ofgem Expectations'); and
 - that these combined components (known together as the 'Performance Outcomes') will establish a stretching set of outcomes for NESO to meet.
- 4.9 These changes support the further clarifications we've made to the methodology for assessing NESO's end of year performance (discussed further below).

Within-year and end of year assessment processes

- 4.10 We are proposing further updates to the description of the within-year processes in Chapter 2 to bring this up to date (see 'Stage 2: Within-year assessment and feedback'). This includes providing additional clarity that we expect to discuss NESO's performance under these arrangements regularly at a senior level. This is to ensure performance messages are being heard by those in NESO who have most power to act on them and to avoid surprises in end of year assessments.

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- 4.11 We're proposing several changes to the end of year assessment process to streamline arrangements (see 'Stage 3: End of year assessment processes'). This is to help ensure the full end-to-end performance assessment process can be conducted by the time NESO is due to publish information on its annual performance-related pay in its Annual Report by 30 September. Key changes include:
- bringing NESO's end of year report deadline forwards to 30 April;
 - the ICP's end of year performance discussions being held at an early enough point in the process so that the ICP's report can also be submitted to Ofgem by 30 April, allowing us to review this in parallel to NESO's report (rather than sequentially, as is the case with the existing Performance Panel report); and
 - removing the requirement for NESO to hold an end of year event to discuss its End of Year Report and performance.
- 4.12 We recognise that these timelines and processes have not yet been fully tested. We therefore have also built some flexibility into the text to agree adjustments to timelines based on our practical experience.
- 4.13 We are proposing to remove the end of year event as our experience to date is that stakeholders, NESO and Ofgem have found limited value in this event. For the most recent end of year assessment in 2025, only a handful of stakeholders expressed interest in joining this event. We consider the ICP arrangements will therefore be a better substitute. We also intend to maintain the more principles-based requirement for NESO to understand feedback and provide transparency on the actions it is taking in response to feedback (see paragraph 2.15 of the proposed new NESO PAGD). This will enable NESO to find more effective routes of engagement than the current end of year event.

NESO's performance assessment methodology

- 4.14 We have proposed changes to Chapter 3 of the NESO PAGD to refine and clarify the assessment methodology we use for NESO.
- 4.15 In line with our August 2025 Decision, the overall methodology for assessing NESO's performance in each assessment period remains broadly the same as in BP3, i.e. NESO's performance will be assessed in two parts: (1) its achievement of Performance Outcomes, and (2) its delivery of value for money.
- 4.16 Our main proposed change is to the grades we use under these assessments. Instead of NESO being graded on a 'Exceeds / Meets / Below Expectations' scale, it will be graded on a four-tier scale of 'Exceptional / Strong / Satisfactory / Poor Performance'. The reason for this change is to:

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- Avoid confusion from some stakeholders about the interaction between the NESO's achievement of Performance Objectives and the assessment outcomes; and
- Provide a further category of performance that will allow us to more clearly communicate the level to which NESO may have exceeded normal performance expectations.

4.17 We consider this additional granularity will set clearer reputational incentives on NESO and provide a clearer position for NESO to take account of in performance-related pay. We considered splitting the current 'below' expectations into two further categories but decided that this was unnecessary. This is because NESO already faces the additional possible 'downside' impact on reputation and staff incentives due to the potential for enforcement action.

4.18 In addition to proposing changes to the grading categories, we have proposed changes to the guidance associated with each of the grades for both parts of the assessment to clarify our approach. The main changes are to the guidance for the first part of the assessment (NESO's achievement of Performance Outcomes). This includes changes to:

- Better reflect the role of Ofgem Expectations in the performance assessment;
- Clarify that the focus of the assessment is on the outcomes NESO achieves; with Success Measures and other indicators being information we use to understand this, rather than a direct part of the assessment criteria; and
- Explain how we will consider NESO's performance against its Performance Outcomes in each year of the two-year business plan cycle. With the first-year assessment focussing on NESO's progress against the outcomes, and the second-year assessment focussing on the final achievement of those outcomes.

The Independent Challenge Panel (ICP)

4.19 We have proposed a new chapter within the NESO PAGD to set out the detailed implementation of the ICP. We have drafted this in line with the positions in our August 2025 Decision but with additional details on the ICP's practical implementation and operation. We have also set out our proposed detailed requirements on NESO which build on the overarching obligation we are proposing in Condition G2.

4.20 Within Chapter 4 of the NESO PAGD, we set out:

- the overall objectives and responsibilities of the ICP;
- the minimum meetings we expect the ICP to hold to deliver these responsibilities;

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- our expectations for the ICP's membership, including the initial appointment process and ongoing approval of members;
- our expectations for how the ICP will be administered;
- the list of responsibilities of the ICP Chair; and
- the requirements on NESO, including requirements related to ICP meeting attendance and contributions, administrative support, and its proactive engagement with the ICP.

4.21 Full details are contained in Chapter 4 of the draft NESO PAGD. We welcome views from stakeholders on our approach to implementing the ICP.

4.22 The ICP Chair will play a key role in ensuring the ICP meets the expectations set out in Chapter 4 of the NESO PAGD. We intend to progress our recruitment for the ICP Chair in Q1 2026 and work with the chair on the membership appointment process after they are in place.

NESO's performance reporting requirements

4.23 Chapter 5 of the NESO PAGD contains our proposed enduring performance reporting requirements for NESO. Broadly, we are proposing similar requirements as were in place during the BP3 period, including monthly reporting on reported metrics, quarterly reports of the achievement of performance outcomes, and six-monthly reporting on value for money and the results of NESO's stakeholder survey.

4.24 This is because we continue to believe that regular, within-year performance reporting is a key component of a successful evaluative incentive scheme. This allows NESO, Ofgem and stakeholders to understand and discuss performance over the course of the year. This in turn allows NESO to course correct its performance and deliver better outcomes in the interests of the industry and energy consumers. We consider benefits of this can significantly outweigh the costs to NESO of producing these within-year reports. Within-year reporting also puts less relative pressure on NESO evidencing its performance at the end of the year, which aligns with both Ofgem and NESO's ambitions to streamline the end of year processes.

Cost monitoring and reporting

4.25 Our main proposed changes to Chapter 5 relate to cost reporting. As highlighted earlier in this document, we propose to consolidate financial and cost reporting requirements across NESO's licences and associated documents. This involves removing the RIGs and associated RRP process. It also involves establishing a unified and consistent data template (the 'NESO Cost Template') which will be

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first populated with forecasts by NESO as part of its Business Plan submission, and then subsequently updated with updated forecasts and realised costs at appropriate points during each year.

4.26 We are proposing to have a requirement in the NESO PAGD for NESO to populate the NESO Cost Template at the following points:

- As part of its End of Year Report at the end of April, to inform our annual assessment of value for money. This would include NESO's best estimate of costs for the preceding financial year.
- By the 17th working day of October with final, realised costs for the preceding financial year. This would not inform our performance assessment for the previous year but would provide transparency on actual costs and any deviations from the forecasts in April. The October deadline allows NESO to coordinate this publication with its six-monthly reporting, avoiding added burden.

4.27 We have revised sections associated with the existing Cost Monitoring Framework (CMF) for NESO, and replaced these with clearer requirements on Data, Digital and Technology (DD&T) reporting. This is to provide greater formality and transparency on the information that we monitor as part of the CMF. In response to stakeholder feedback for greater transparency of this area of monitoring, we have also put in firmer requirements on NESO to summarise the key contents of quarterly DD&T reporting to Ofgem within its public six-monthly value for money reports.

4.28 As set out in our August 2025 Decision, we are adopting a dynamic approach to cost regulation, reflecting our level of confidence in NESO's spending and our assessment of the risks to consumers. Whilst we do not think it is appropriate to reduce the scope and frequency of DD&T monitoring and reporting requirements now, we intend to continue to review this. We have drafted the proposed requirement with a level of flexibility to enable a potential gradual phase out from the previous CMF processes, where that is merited.

Benefits and impacts

4.29 We consider that our overall set of changes to the NESO PAGD will:

- Improve clarity and transparency around how we undertake NESO's annual performance assessments;
- Enhance the role of stakeholders in NESO's performance arrangements, through the effective implementation of the ICP;
- Create proportionate reporting requirements that deliver overall value and are flexible to changes over time; and

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- Strengthen overall incentives on NESO to meet stakeholder and Ofgem expectations, driving benefits for consumers.

Consultation Questions

- Q7. Do you have any comments on our proposed changes to the NESO PAGD?
- Q8. Do you have any comments on the way we've implemented the Independent Challenge Panel (ICP) arrangements in the NESO PAGD?

5. NESO Financial Handbook

Section summary

We are proposing several changes to the NESO Financial Handbook to align with our August 2025 Decision and give the document a more enduring focus.

Please see the draft NESO Financial Handbook published alongside this consultation for the detailed changes.

Background

- 5.1 The NESO Financial Handbook sets out the methodologies and processes NESO must follow when calculating its annual revenues allowed under its ESO Licence and GSP Licence. It also includes the processes NESO must follow in relation to the NESO Financial Model - a model maintained by NESO to show its detailed calculation of allowed revenues. The NESO Financial Handbook is issued under Condition F5 of the ESO Licence and Condition F4 of the GSP Licence.
- 5.2 The NESO Financial Model was initially developed by Ofgem and handed over to NESO in 2024 as part of the transition from NGESO to NESO. Due to the complexity and risk associated with transitioning between two different financial regulatory frameworks within a financial year, the existing Financial Handbook has a large degree of focus on the 2024/25 financial year and was written in a similar manner to the RIIO-2 Price Control Financial Handbook (PCFH).
- 5.3 In our August 2025 Decision, we decided that Ofgem should have a minimal enduring role in the regulation of NESO's finances. We also set out our decision to streamline and consolidate financial reporting, including through the removal of the Regulatory Financial Performance Reporting (RFPR) process and the Agreed upon Procedures (AUPs). These decisions reflected NESO's not for profit status, its transition out of the RIIO price control process, and NESO's added accountability to government on financial matters.

Summary of proposed changes

- 5.4 We are proposing to make substantial changes to the NESO Financial Handbook to align with our August 2025 Decision, clarify and simplify the arrangements, and give the document a more enduring focus. However, the substance of the methodologies for calculating allowed revenue terms remain largely the same in most cases.
- 5.5 Overarching changes applicable to the whole document include changes to:
 - Create a clearer link between NESO's licences and the NESO Financial Handbook and align with the approach taken to other NESO associated documents;

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- Update the text so it sets clearer, enduring requirements on NESO, rather than descriptions of the 2024 NESO Financial Model;
- Remove details that are an unnecessary duplication of details contained in NESO's licence and well as sections carried over from the PCFH that don't apply to NESO; and
- Remove context and details which are unnecessary or no longer relevant, such as those related to the 2024/2025 financial year and transition from NGESO and NESO.

5.6 Specific key proposed changes include:

- Material changes to Chapter 2 to remove unnecessary Ofgem involvement in the process for assuring NESO's calculation of allowed revenues and streamline the process. These changes reflect the stronger onus and requirement we're placing on NESO to self-assure its revenues calculation and our intention to only intervene where necessary (as discussed further in the reasons and effects for Condition F5 in Chapter 2 of this document);
- Incorporating several residual reporting requirements from the removed RRP and RFPR processes which provide necessary supporting information related to the NESO Financial Model (see paragraph 2.8 of the draft NESO Financial Handbook for details). These additions support our overall consolidation of financial and cost reporting requirements;
- Changes in Chapter 4 to set a more enduring price indexation methodology which does not solely compare to 2018/19 prices and RIIO-2 variables; and
- Changes in Chapter 7 to more clearly establish the enduring arrangements for recovering and reporting on costs associated with the NESO defined benefit pension scheme, which has now been established.

Benefits and impacts

- 5.7 Overall, we consider these changes will lead to clearer, more enforceable, and more future-proofed requirements on NESO in relation to its revenue calculations. The updated arrangements will be more suitable for a not-for-profit body and allow Ofgem to divert more resource and attention to other matters of relatively greater importance and consumer value.

Consultation Questions

Q9. Do you have any comments on our proposed changes to the NESO Financial Handbook?

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Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

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Appendix 1: List of consultation questions

- Q1. Do you have any suggestions on key areas of NESO's regulatory and governance framework which require further review, including any relevant learnings from other sectors? *(Please note this feedback will not inform our March decision and will instead be considered as part of our future work planning).*
- Q2. Do you have any comments on our proposed licence changes including any specific drafting suggestions?
- Q3. Do you have any views on the proposed options and approaches to implementing new principles-based requirements on performance-related pay for senior NESO staff?
- Q4. Do you have any comments on the approach we have taken to review and update Condition C1 and the NESO LED?
- Q5. Do you have any specific drafting suggestions for the requirements within Condition C1 and the associated guidance in the NESO LED?
- Q6. Do you agree with our proposed requirements in relation to a Notice of Remediation?
- Q7. Do you have any comments on our proposed changes to the NESO PAGD?
- Q8. Do you have any comments on the way we've implemented the Independent Challenge Panel (ICP) arrangements in the NESO PAGD?
- Q9. Do you have any comments on our proposed changes to the NESO Financial Handbook?

Appendix 2: Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk.

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest, i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time, e.g. 'six months after the project is closed').

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

know how we use your personal data;

- access your personal data;
- have personal data corrected if it is inaccurate or incomplete;

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- ask us to delete personal data when we no longer need it;
 - ask us to restrict how we process your data;
 - get your data from us and re-use it across other services;
 - object to certain ways we use your data;
 - be safeguarded against risks where decisions based on your data are taken entirely automatically;
 - tell us if we can share your information with 3rd parties;
 - tell us your preferred frequency, content and format of our communications with you;
 - lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law.
- You can contact the ICO at <https://ico.org.uk/>, or telephone [0303 123 1113](tel:03031231113).

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our “[Ofgem privacy promise](#)”.