
Final Response | Ofgem | Draft Determinations on NESO1 Business Plan 10 MARCH 2026

Context

ADE: Demand welcomes the opportunity to respond to Ofgem's determinations of the NESO1 Business Plan 2026-28.

Our vision, and what ADE: Demand exists to make happen, is no less than a complete re-imagining of the role of demand in our energy system so that:

1. Demand is given equal consideration to generation.
2. Every household, commercial business and industrial site has a commercially viable path to decarbonisation.
3. It is recognised that energy users and their assets have a day job – they shouldn't have to work around the energy system, the energy system should work around them.
4. Millions of users with automated energy provision can play a major part in keeping the lights on.

ADE: Demand Response

We are pleased to see the critical assessment Ofgem has completed of NESO's Business Plan and in particular we believe that the inclusion of Performance Objective G is a necessary addition which begins to address several of our outstanding concerns for NESO governance and regulations. The NESO1 Business Plan is not the comprehensive document we had hoped to see and worryingly highlights an immaturity we would have expected Ofgem to counter through its Business Plan Guidance. This is evident through the numerous missed opportunities for NESO to demonstrate greater control and understanding of the Performance Objectives, ideally through Success Measures that are detailed and draw out internal process, such as how NESO intends to engage with the DNOs to counter the Connections queue and how NESO can foster a role of evidentiary assurance for stakeholders. This is the first Business Planning cycle for NESO and should be exhaustive, showcasing the work done to meet the guidelines and precipitate what they envision a good future of works looks like.

This process is not about creating additional work for NESO but rather about building in a practice of alignment, drawing together the shared outcomes and transparently presenting the evidence and work required to achieve these. This is grounded in the expectation that NESO go further in light of the immense power it now holds within the energy system.

Furthermore, accountability mechanisms that actually drive better performance is more important than ever, given profit and loss incentives are no longer a driver. We would also encourage Ofgem to

consider opportunities within the Success Measures to build in opportunities for flexibility services, with emphasis on its role as a tool to lowering consumer bills, and achieving the Clean Power 2030 targets.

1. Do you agree with our assessment that NESO's six Performance Objectives, alongside Ofgem's additional Performance Objective allows for comprehensive assessment of NESO's performance?

We agree that the broadness of the six Performance Objectives covers the key areas we would expect NESO to cover through this initial business planning cycle, and we also agree that NESO should have better established how these activities are detailed throughout the 2026-28 period. NESO must better demonstrate how they are using the lessons learned from RII0-2 and the overarching business planning process to bolster their decision making and future planning. It is their duty to provide industry and consumers with the evidence and assurance that it is capable of not only meeting its planned objectives but also supporting its efforts to maintain energy security and reduce costs for consumers.

2. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Planning a Clean Energy Future Performance Objective?

At face value, the four Ofgem Expectations listed are adequate to support the Performance Objectives, however, we believe that there should be an additional expectation that sets out how NESO should be required to provide evidence to support the work they are doing to "shape the future of energy by defining the energy infrastructure requirements across Great Britain". This is a fundamental aspect of NESO's role, and it should carry the responsibility of maintaining the evidence base that reinforces decisions made on direction setting and strategic planning.

3. Please provide any views you have on the Success Measures which should be used to identify NESO's success or otherwise of these Ofgem Expectations.

Ofgem has developed Success Measures to support each 'Ofgem Expectation,' that they have drafted in response to NESO's Performance Objectives and our position remains that it is integral that Success Measures showcase NESO's ability to do their business as usual practices at the highest standard but also build in strategic thinking to enable improvements over the period. In line with our response to Q2, we would have expected to see NESO and Ofgem set out comprehensive measures that show how NESO is building the evidence base and reputational cache to support the overarching strategy work required. In addition, this is the first Business Planning cycle for NESO, in its new form, and we would expect to see Ofgem enforce more detailed, and possibly exhaustive, requirements as an initial foundation that NESO would be required to plan from, which can be pulled back in future iterations.

4. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Operating an Intelligent, Real-Time Grid Performance Objective?

We agree that the proposed Ofgem Expectations for Performance Objective B are congruent with its description and align with our understanding of what NESO should be doing to operate

the system. We are conscious that there has been consistent and constructive engagement on grid management and we are supportive of how NESO has been working with ADE: Demand on its approach to improving its practices. However, the wording of B.2, "Improved Operational Planning and Forecasting", is too vague for its intended purpose and we are concerned that the wording does not go far enough to necessitate meaningful action. This expectation should be designed with an ambitious outcome in mind, in line with the direction that current reforms are travelling and not allow planning to fall back on to earlier practices.

5. Please provide any views you have on the Success Measures which should be used to identify NESO's success or otherwise of these Ofgem Expectations.

Overall, we agree with the Success Measures proposed by Ofgem and recognise that the list is intentionally vague and will require clear targets to demonstrate any form of success. The opportunity will lie in the balance of targets that are not overly prescriptive or inherently favour one technology type and can be easily reviewed to adjust for improvements. NESO could consider the inclusion of a specific target that enables flexible assets, which would create stronger pathways for achieving CP30 targets. We also ask that there is consideration to make the Success Measures of Expectation B.2 clearer and easier for stakeholders to interpret, presently the wording is meaningless without verifying how they will be viewing 'accuracy.' We ask that Ofgem and NESO to continue to hold regular check ins that can review the success measures, especially those in B.1, and publish these results for transparency.

We are pleased to see the inclusion of skip rates as a key part of dispatch efficiency.

6. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Enabling Smarter, Cleaner Markets Performance Objective?

Considering the expectations and requirements that Ofgem have set out for this Performance Objective, we do not believe that the two expectations proposed by Ofgem adequately address everything we would expect to see under this Performance Objective. The outcomes should better consider how to ensure the markets can be kept open, fair and continue to drive access for a strong retail market, which has the pass-through effect of improving consumer access and bringing down consumer costs. It does not tie in the use of flexibility services to support the Performance Objective despite Ofgem drawing out how important NESO's role is in bringing the various markets together to "ensure market coherence and optimise market access." This basis of these expectations should be about setting NESO up for future good policy and planning, rather than setting up more of the same, by including language that shows decisive direction setting of dynamic markets that go beyond just operability. While many of the elements that fit within this Performance Objective can progress in parallel, we do not feel that either Ofgem or NESO have fully considered how to demonstrate the interdependencies or how the benefits build off one another.

7. Please provide any views you have on the Success Measures which should be used to identify NESO's success or otherwise of these Ofgem Expectations.

The proposed Success Measures show an emphasis on quantification of activities but do not show consideration of further growth or improvement. As we have stated in our response to Q6, there is an opportunity here to better guide the Success Measures to be a leading tool for NESO in how to approaches the Performance Objective. The current drafting has no mention of consumer-led flexibility (CLF) services despite the growth of CLF as a key contributor to CP30 success. While the decision to quantify actions like the average cost of NESO procurement and average £/MWh of markets are useful, it does not compel NESO to shift its focus to CLF and low-carbon technologies.

8. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Delivering a Decarbonised, Operable Grid Performance Objective?

While we agree with the expectations listed, we believe that D.3 is not sufficient to meet the objective of a decarbonised grid. As this is a core tenet of the direction that NESO has agreed to move the energy system, and is central to delivering Clean Power 2030, we would expect to see a more comprehensive outcome that goes beyond 'low carbon technologies' and seeks to clearly outline what NESO will do to effectively decarbonise.

Furthermore, we are disappointed Ofgem did not include considering co-location, microgrids, or flexibility as alternatives to network build as a core expectation/outcome to be monitored for delivering a decarbonised grid. Considering these viable alternatives is essential to preventing network overbuild and high costs to consumers and must be integrated into demand planning and connection reform.

9. Please provide any views you have on the Success Measures which should be used to identify NESO's success or otherwise of these Ofgem Expectations.

We are disappointed to see that NESO has not built in plans for how it will continue to engage with, and improve its engagement, with the Distribution Network Operators in the Business Plan. We are also surprised to see that Ofgem have not taken the opportunity to build in a requirement for NESO that it can better engage with DNOs and DSOs into the Success Measures. The issues surrounding the connections queue and the subsequent delays will require a comprehensive approach that requires transparency in its approach, and seeks to build trust with stakeholders, which would be facilitated by clear direction setting at the Business Planning level.

Success measures should also include the transparency of connection offers to customers. For instance, the calculation of connection timelines and costs are often opaque to our membership, who have little opportunity to gain more information as to why similar connection projects receive disparate offers. Ofgem should include an additional success measure to monitor NESO's improvement communicating with DNOs and customers how they have calculated costs and timelines.

10. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Driving Whole-System Resilience Performance Objective?

The drafted outcomes are sufficient to enable an assessment of NESO's efforts, and we agree with Ofgem's assertion that they should seek evidence of how NESO is engaging with stakeholders, and that NESO seek to progress sector resilience through action. Noting that resilience is present in different forms, and while we expect NESO to have the expertise to manage the mechanical resilience of the system, we are concerned that there is a gap in its ability to deliver "clear insights and advice." We believe there should be an additional outcome that holds NESO to maintaining a broad and consistent engagement process in the development and management of system resilience. Furthermore, we have consistently asked that NESO be required to carry the burden of proof for their decision making, to show the evidence behind their position and allow stakeholders to follow along, which opens the opportunity to build in an outcome that requires NESO to be transparent in its development of sharing of resilience planning.

11. Please provide any views you have on the Success Measures which should be used to identify NESO's success or otherwise of these Ofgem Expectations.

As we mentioned in our response to Q10, there should be Success Measures that support an outcome that establishes a route for meaningful engagement. We know that NESO is capable of leading high-quality engagement, and we do not recommend a measure that seeks to establish a blanket quantification of engagement, as there is no guarantee of the usefulness, but we want to see NESO confidently take the lead on targeted engagement.

12. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Building a Digitally Connected Energy System Performance Objective?

We are all in agreement that NESO has a responsibility to lead on the facilitation of reliable digital tools that make engaging with the energy industry as accessible and clear as possible. The outcomes, as they are currently drafted, are a valid starting point but will require transparency from NESO in its process to implement these. Ofgem has a complementary role to support NESO in this as the current ownership of digital infrastructure is unclear and disjointed, impacting accessibility and trust in the sector.

13. Please provide any views you have on the Success Measures which should be used to identify NESO's success or otherwise of these Ofgem Expectations.

Ofgem should consider introducing a Success Measure, through either objectives F.1 or F.2, that seeks to organise the digitalisation landscape, making NESO's position and role clearer and improving access for industry and consumers. Presently, there are numerous streams that are owned and managed by a combination of delivery and regulatory bodies, creating ongoing confusion and diminishing NESO's work and accomplishments to this point.

14. Do you agree with our proposal to include this additional Performance Objective for NESO?

Yes, we agree with the inclusion of Performance Objective G and are pleased to see Ofgem make this proposal, however, we are concerned that it does not go far enough to shape the accountability that is expected of NESO. To establish the “high degree of customer trust” required NESO needs to look beyond inputs, such as stakeholder feedback and a Customer Trust Index, and develop a clear process of how to demonstrate its accountability. We have repeatedly sought a requirement for NESO to maintain a burden-of-proof, which has the ability to directly influence NESO’s reputation and improve overall trust in its actions.

15. Do you agree that the outcomes proposed under this Performance Objective are clear and comprehensive? Please provide any views for additional outcomes, if appropriate.

The Ofgem Expectations are noticeably vague but sufficient to enable greater oversight on its operations. Ofgem’s rationale for each expectation has considered feedback we have previously provided, and we appreciate that there has been consideration for *how* NESO meets these expectations, rather than simply quantifying their efforts.

16. Do you agree that our proposed Success Measures can suitably identify the extent to which NESO has been successful in achieving the outcomes set?

While we are pleased to see that Ofgem have drafted a comparatively more comprehensive set of Success Measures for Performance Objective G, we would expect that because the Expectations have been designed to be vague, Ofgem would create clear pathways that enable NESO to build the objective into its business-as-usual processes, making the intent of ‘providing customers with a high-quality, independent and trusted service’ a minimum expectation in light of the changing incentivisation structure.

17. Do you agree with our approach of requiring additional Value for Money reporting until sufficient information is provided by NESO such that we can perform a Value for Money assessment of this plan?

Yes, we strongly agree with Ofgem’s position on requiring further Value for Money reporting. We have consistently shown our concern for the planned reduction in oversight of NESO’s spending, and in particular throughout this first Business Planning cycle. NESO is no longer a for-profit entity and has been granted a position of immense power, it is in the best interest of all that NESO demonstrates how its planning is manifesting in actual pounds spent. In addition, we do not believe that the NESO Business Plan sufficiently demonstrated how its plans meet or will meet value-for-money requirements going forward.

18. Do you agree that NESO should continue to report against these metrics?

Yes, we agree with the proposed reporting metrics.

19. Are there any additional metrics you would like NESO to regularly report against?

20. Do you agree with the proposed level of innovation funding for NESO?

Yes, we agree with the proposed level of innovation funding.

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