

Energy UK's response to Ofgem's Draft Determinations consultation on the NESO1 Business Plan

Open Consultation

March 2026

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

Contacts: teodora.yankova@energy-uk.org.uk

Executive Summary

Energy UK and its members would like to thank Ofgem for the opportunity to respond to this consultation on its Draft Determinations for the National Energy System Operator's NESO1 Business Plan. We can confirm that we are happy for our response to be published.

Energy UK agrees with Ofgem's assessment that NESO's Business Plan would benefit from further enhancement to align with the expectations set out in the Business Plan Guidance, by addressing gaps in key elements of the Plan. It is significantly important that NESO's Business Plan provides a clear and transparent view of what NESO is expected to deliver, by when, and how success will be measured. However, there are concerns that the next steps to achieving this, following Ofgem's Draft Determinations, remain largely unclear.

It is important to re-define Success Measures so that they provide specific, measurable and timebound metrics against which performance can be effectively assessed, with the quality of NESO's delivery as the primary focus. Gaps in the Major Deliverables should also be addressed to provide stakeholders with the necessary information to monitor NESO's progress against.

Energy UK, also, agrees with Ofgem's assessment on Value for Money and reporting requirements; however, further clarity on the proposed level of innovation funding and the applicable governance arrangements would be welcome, to provide the transparency necessary for industry to assess whether the level of funding is proportionate and justified.

Performance Objectives, Ofgem Expectations, Success Measures and Major Deliverables

Overarching views on NESO's Performance Objectives

Question 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?

Energy UK broadly agrees with Ofgem's assessment, however, considers that it remains unclear, following Ofgem's Draft Determination, how the Final Determination and the NESO Business Plan will form a baseline against which NESO's performance will be measured. Ofgem should, therefore, consider whether NESO should republish its Business Plan, following Final Determination, to provide clear and transparent view of what NESO is expected to deliver, by when, and how success will be measured.

Energy UK considers that the status of NESO's Business Plan, which requires a number of significant changes, may be a consequence of removing the requirement for NESO to consult on its draft Business Plan. Reintroducing this requirement would support a more transparent and collaborative approach to determining NESO's focus and priorities, as well as how performance will be measured against them.

In addition, further clarity is required on how NESO would deliver across the Performance Objectives. For instance, the current structure does not give a sense of how the various Performance Objectives come together as a whole to deliver the more strategic outcomes.

Ofgem Expectations for outcomes and Success Measures

Questions 2-17, broadly covering:

- **Whether Ofgem has provided a comprehensive set of expectations for each performance objective; and**
- **Views on Success Measures which should be used to identify of NESO success.**

As set out in the consultation, establishing clear, upfront expectations for NESO's performance will be fundamental to the effectiveness of its enduring regulatory framework, particularly as it transitions towards an outcomes-based model. Energy UK supports the outcomes defined by Ofgem in its Draft Determinations (hereafter referred to as Ofgem's Expectations). These expectations should remain subject to refinement over the course of NESO's Business Plan cycle, where appropriate, to ensure they continue to reflect changes in system priorities, policy direction, or operational realities. However, the proposed Success Measures would require further refinement.

The consultation notes that Success Measures are intended to explain how a given outcome will be delivered in practice, and further observes that, as drafted in the NESO1 Business Plan, they did not include sufficiently clear methodologies, or a clear articulation of how success is defined.

Energy UK welcomes the additional granularity achieved by aligning Success Measures directly with the outcomes set out as Ofgem's Expectations. However, there remain concerns that, as presented in the consultation, many of the Success Measures do not provide sufficient clarity on the metrics being assessed, the criteria for successful delivery, or how performance will be measured against them. For example, "System Management and Disturbances" under B.1 and "Queue composition / size" under D.2 should be reframed to reflect the quality of NESO's performance and the outcome they are seeking to achieve, to provide a clear baseline to measure performance against.

Energy UK also considers that the Success Measures should be more specific and tangible, with clearly defined, measurable and timebound metrics linked to NESO's outcomes. For instance, in relation to "Number of requests met" under F.1, this could take the form of a defined percentage of data requests being fulfilled within a specified timeframe. The greater the specificity and clarity of these metrics, the greater the confidence industry will have in the robustness and credibility of the performance framework. In any case, it is important that the Success Measures should be framed to prioritise quality of delivery, with timeliness treated as a secondary consideration. They should also be bounded by what is reasonably in NESO's control, particularly where success relies on multiple organisations.

Further clarity would also be welcome on how assessment of NESO's performance against these Success Measures will feed through to performance incentives, particularly the linkage to performance-related pay for senior NESO staff.

Finally, Energy UK is also concerned that many of the Major Deliverables set out in NESO's Business Plan lack sufficient specificity and measurability. Ofgem itself has identified issues, including delivery dates falling in the final month of the Business Plan period or deliverables being described as ongoing or continuous. However, it has not taken steps to address this, nor directed NESO to provide further detail where gaps persist.

The Business Plan Guidance, published in May 2025, makes clear that NESO is required to set out Major Deliverables for the Business Plan cycle that are "specific, measurable and timebound".¹ In our view, NESO has not met this expectation. Ofgem should, therefore, at a minimum, require NESO to specify planned delivery dates where these are currently absent, in order to provide industry with greater certainty. For Major Deliverables with delivery dates set at the end of the Business

¹ [Ofgem 2025, NESO Business Plan: Guidance Document](#)

Plan period, NESO should provide interim milestones to act as checkpoints, enabling stakeholders to monitor progress more easily and ensure that work remains on track.

Major Deliverables should also include lessons-learned exercises when programmes of reform are completed and/or enter a new phase, enabling insights to be carried forward into subsequent work.

Value for Money

Question 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?

Energy UK agrees with Ofgem's assessment that the NESO1 Business Plan would benefit from clearer explanation and supporting evidence to demonstrate that planned activities and associated costs represent Value for Money, including greater transparency on how cost optimisation has been considered. The introduction of an additional requirement for NESO to re-publish Annex 6 (Cost Narrative and Cost Template), alongside interim enhanced reporting, is therefore a welcome step towards improving transparency and accountability.

Reporting Requirements

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

Energy UK agrees that NESO should continue to report against the metrics set out in the consultation. It would, however, be helpful to understand why NESO's reporting on savings arising from TO collaboration and on EMR demand forecasting accuracy are not supported by associated Success Measures.

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

N/A

Innovation

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

Energy UK would welcome further clarity on the proposed level of innovation funding and the governance arrangements attached to it. Given that innovation funding will ultimately be borne by consumers, it is important that robust checks and balances are in place to ensure that expenditure delivers tangible system benefits and represents value for money. Ofgem should therefore set out clearly the performance criteria, approval processes and ex post evaluation mechanisms that will apply,

including how underperformance or ineffective delivery would be addressed. Without a transparent framework linking funding to outcomes and accountability, it is difficult for industry to assess whether the proposed level of funding is proportionate or justified.