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### Draft Determinations on NESO 1 Business Plan

Dear NESO Regulation,

Thank you for the opportunity to respond to your consultation on Draft Determinations on NESO 1 Business Plan.

#### Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry.

NESO's primary duty is to promote three objectives: enabling delivery of a cleaner, affordable and reliable energy system for current and future consumers. We take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

#### Executive Summary

We welcome the time and consideration Ofgem has given to the NESO1 Business Plan and its Draft Determinations. It is critical that NESO's enduring regulatory framework balances the need for NESO to deliver at pace with ensuring expenditure is well managed, delivers good value and is transparent. Our focus is on reaching a pragmatic outcome that allows NESO to capitalise on its independent unique expertise to deliver excellence whilst ensuring appropriate oversight of a robust performance framework that is coherent and aligned with the commitments we have made to stakeholders.

There is currently a material gap between Ofgem's Draft Determinations and NESO's expectations for a proportionate, coherent and workable NESO1 framework. This gap spans both the substance

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of the proposals and the respective roles and responsibilities within economic regulation and corporate governance. These issues must be resolved to ensure clarity, maintain operational independence, and enable NESO to deliver effectively on its statutory purpose. Despite this misalignment, we remain committed to finding a practicable, proportionate way forward for NESO. Our priority is an outcome that is transparent, aligned and implementable. To support that, we set out below the areas of concern and constructive suggestions to resolve them.

We look forward to engaging with you further. Should you require further information on any of the points raised in our response please contact Rachel Smith, Regulatory Business Planning Manager, [Rachel.Smith@neso.energy](mailto:Rachel.Smith@neso.energy).

Yours sincerely

Claire Dykta

Director of Strategy & Policy, NESO

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## 1. Corporate Governance

**While recognising Ofgem’s statutory role in setting the performance framework, several proposals risk blurring the boundary between regulatory oversight and Board reserved- governance responsibilities. These include strategy, target setting and internal financial management- materials. These proposals are of particular concern to us, given the need to preserve clear accountability and effective governance arrangements.**

### Implications of Draft Determinations for Governance and Operational Independence

The Draft Determinations risk undermining corporate governance roles, weakening operational independence, introducing avoidable complexity and misalignment with stakeholder-backed commitments.

NESO has explicit governance accountabilities, particularly in relation to strategy, target setting, financial management and internal performance. As set out in the NESO Framework Document<sup>1</sup>, the role of the Board shall include the following (amongst others):

- developing, updating and approving the forward-looking strategy and the corporate and regulatory business plans.
- providing leadership of NESO within a framework of prudent and effective controls which enables risk to be assessed and managed.
- ensuring the financial and human resources are in place for NESO to meet its strategic objectives.
- reviewing management and financial performance.

Several elements of the Draft Determinations – across Strategic Aims, Success Measures and short-term value for money reporting requirements – appear to extend Ofgem’s role beyond economic regulation and into areas more appropriately reserved for the NESO Board. This risks diluting the Board’s mandate, creating dual or conflicting accountability, and undermining the “golden thread” between strategy, business planning and internal performance.

If not addressed, these issues have the potential to create tension with established governance arrangements, affect NESO’s operational independence, and distract from delivery against the objectives NESO has been established to fulfil. Clarifying the respective roles of Ofgem and the NESO Board is therefore essential before finalising the NESO1 framework.

### Ofgem’s role in consideration of NESO’s Strategic Aims

NESO’s Strategy and associated Strategic Aims, as set out in the NESO1 Business Plan, are deliberately designed to provide a stable, long-term framework for our activities that also allows all NESO colleagues to understand the individual contribution they need to make to enable NESO

<sup>1</sup> NESO1 Framework Document: <https://www.gov.uk/government/publications/national-energy-system-operator-framework-document/national-energy-system-operator-neso-framework-document#functions-duties-and-objectives>

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to deliver for its stakeholders and consumers. Their development took place over many months and was informed by extensive and structured engagement with industry, as described in our NESO1 submission. The Strategic Aims are intentionally designed to be durable across multiple business plan cycles, rather than revisited at each iteration to ensure that NESO focuses on long term delivery and value creation.

We note that the regulatory framework does not require Ofgem to approve NESO's Strategic Aims, and we consider this appropriate. Strategic Aims are an organisational articulation of long-term direction and intent, rather than a regulatory instrument. Extending regulatory involvement into their formulation or renewal would risk blurring the distinction between strategic leadership and economic regulation.

Against this background, we disagree with the proposal to require the development of a further set of Strategic Aims by December 2026, noting that this requirement is disproportionate and will undermine the stability and continuity that the Strategic Aims are intended to provide.

That said, we recognise Ofgem's observation regarding the importance of a clear line of sight between our Strategic Aims and shorter-term planning. We agree on the value of making this linkage more explicit and are committed to strengthening this articulation in our next business plan, without reopening or duplicating the Strategic Aims themselves.

## Developing targets for measuring success

NESO's Board has a fundamental governance role in setting, owning and approving the organisation's targets – and holding the executive team to account in delivering them. Since submission of the NESO1 Business Plan we have been undertaking a structured programme to develop corresponding targets. Given our understanding that Ofgem intended to propose refinements to the list of Success Measures through the Draft Determinations, we paused wider stakeholder engagement on target setting until Ofgem's position was clearer.

Target setting is appropriately a matter for NESO, with Ofgem's role focused on scrutinising the robustness of the approach and the credibility of the resulting targets within the agreed performance framework. We are concerned that aspects of the Draft Determinations, including the framing of requests for stakeholder views on methodologies and targets, cut across established governance responsibilities, including those of the Board.

We also note Ofgem's proposal to introduce a number of additional Success Measures. As set out in our full response, careful consideration will be needed to ensure that any new measures are genuinely measurable and supported by sufficiently clear definitions to avoid ambiguity or inconsistent interpretation.

## 2. Structural changes to the plan

**There are a number of proposed changes related to restructuring content, such as shifting and splitting success measures and adding a new Performance Objective. We are concerned these changes are subjective, potentially duplicative, and add complexity to performance**

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**management. We are also concerned that the way in which Ofgem's Draft Determinations are structured may limit stakeholders' ability to clearly understand NESO's commitments over the period, particularly where links back to the NESO1 plan are not readily apparent.**

We would welcome future opportunities to collectively review the application of the framework, enabling Ofgem to concentrate on the substance of our plan and minimise structural revisions. Our shared intent was to ensure that NESO1 gave us a clear framework to drive performance across the organisation. It has been developed carefully to enable that. The proposed reworked structure means we will likely have to develop separate processes to run the organisation and report that separately to Ofgem.

## NESO1 Business Plan covers the key areas of focus for NESO

We welcome Ofgem's recognition that the NESO1 Business Plan covers the key areas of focus for NESO over 2026-28 and reflects an appropriate level of ambition.

The plan was developed following extensive engagement with stakeholders, including our Independent Stakeholder Group, ensuring that their expectations and requirements are embedded at the heart of our commitments. The independently chaired Stakeholder Group provides valuable scrutiny and challenge throughout the development of our regulatory submissions and Business Plans. The group reviews how we engage with stakeholders, making sure our plans reflect our stakeholders' priorities, as well as driving value for consumers.<sup>2</sup> We are concerned that the Draft Determination will cause confusion to stakeholders and undermine stakeholder buy-in.

While we understand Ofgem's desire to recast elements of the plan to support its performance monitoring framework, we are concerned that this approach could risk misalignment between the commitments we have made to stakeholders and the basis on which our performance is assessed. We consider it important that these remain closely aligned to maintain clarity, accountability and confidence for all parties.

Our NESO1 Business Plan has also been deliberately designed to sit at the heart of how we run the organisation. The Strategy and Strategic Aims were designed to provide a clear golden thread through the plan and into individual performance measures for our people. More significant restructuring of the plan has a material impact on how we operate in practice, potentially requiring one set of measures for internal performance management and another for reporting to Ofgem. This would appear to cut across the principle previously agreed with Ofgem of aligning, as far as reasonably practicable, our regulatory reporting with our business needs. We are concerned that this could create additional burden without a clear corresponding benefit, whilst also being duplicative and confusing.

<sup>2</sup> More detail on the membership of ISG can be found: here <https://www.neso.energy/about/strategic-priorities/our-riio-2-business-plan/independent-stakeholder-group-isg>

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Across some Performance Objectives we are concerned that there is a lack of whole system perspective. Examples include the focus on derated margins and Loss of Load Expectation (LOLE) may lead some readers to assume an electricity only perspective in the *Driving Whole-System Resilience* Performance Objective, and in the *Planning a Clean Energy Future* Performance Objective, where the proposed Success Measures seem to have been considered only from an electricity perspective. We propose that the Ofgem Expectations and Success Measures should be explicit about which vector they apply to.

## NESO1 sets out our core principle of maintaining a high degree of trust across the plan

Operating independently and maintaining a high degree of trust with the stakeholders we serve is fundamental to NESO. It is a core principle for us, set as one of our strategic goals (alongside the three elements of the trilemma), and is reflected throughout the NESO1 Business Plan, including through the incorporation of trust related measures across our proposed Performance Objectives. Trust is not a standalone activity. It is the result of consistent, transparent and high-quality delivery across all our functions.

In that context, we are concerned that the introduction of an additional Performance Objective may risk duplicating outcomes and measures that are already captured elsewhere in the framework.

The draft new Performance Objective (*Providing Customers with a High-quality, Independent and Trusted Service*) mixes together governance, transparency and administrative tasks. While NESO supports Ofgem's intent, we believe this Performance Objective should not be centred on customer trust, as trust is monitored at the enterprise strategic level and is built through performance across all NESO's functions. If the Performance Objective is considered necessary, it should instead focus on independent operational excellence the area these activities genuinely relate to. We therefore encourage Ofgem to refine the structure and Success Measures, so the framework remains clear, proportionate and aligned with its intended purpose.

## Ofgem's refinements to NESO's impact pathways, outcomes and success measures

The Ofgem Expectations and associated Success Measures appear to represent an exhaustive set against which Ofgem propose to assess our performance. We have therefore assumed that these replace the measures set out in the NESO1 Business Plan, and our response has been developed on that basis.

It is not yet clear to us how Ofgem's proposed refinements to the Impact Pathway outcomes and associated Success Measures will affect the overall performance framework. In some instances, the mapping is clear; however, there are also examples where additional outcomes appear to have been introduced without a clear rationale, and others where the mapping seems to have shifted on the basis of subjective judgement. We also note that Ofgem have removed many of the proposed outcomes and Success Measures.

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It is also essential that the Ofgem Expectations and associated Success Measures allow NESO to demonstrate our direct contribution to outcomes and do not extend into areas beyond our span of control. In our detailed responses, we highlight several areas where we consider Ofgem's proposals risk doing so.

The Impact Pathways are integral to how we intend to manage our own performance, and we welcome the focus Ofgem has given to them. We are committed to working constructively with Ofgem to agree the most appropriate set of Impact Pathways for the NESO1 period.

## 3. Areas of interpretation and clarification

**There are a number of areas where we consider the framework or Business Plan Guidance leaves scope for different interpretations (for example in relation to cost information and the linkage between Strategic Aims and Performance Objectives). These issues are substantive and merit clarification, but in the near term our priority is to work constructively with Ofgem to identify a pragmatic and proportionate way forward.**

### Meeting minimum requirements

We note Ofgem's view that the NESO1 Business Plan does not fully meet the minimum requirements set out in the Business Plan Guidance in certain areas. From our perspective, the Guidance was carefully considered throughout the development of the NESO1 Business Plan, and our submission was structured to address those requirements in a deliberate and proportionate way.

Ofgem's feedback suggests that there may be differences in how aspects of the Guidance are being interpreted or applied in practice. This points to an opportunity to develop greater clarity and a shared understanding of the expectations underpinning the framework. We therefore see value in reflecting on this aspect of the framework to ensure it provides sufficient clarity, certainty and consistency for future business planning cycles.

We would welcome early engagement with Ofgem on this issue, with a shared objective of ensuring that the Business Plan Guidance and its application support effective planning, accountability and regulatory oversight.

### Providing assurance on NESO1 Value for Money

We recognise Ofgem's important role in assessing our Value for Money (VfM) and understand that providing transparency is essential for us as a not-for-profit organisation funded through consumer bills. We share Ofgem's objective of ensuring that NESO is credible and delivers with strong financial discipline, transparency, and clear VfM for consumers. We are aware that has been a misalignment between Ofgem and NESO regarding what constitutes an efficient baseline, which has contributed towards Ofgem's VfM assessment. We intend to continue to work closely with Ofgem, continuing positive discussions to align on a constructive way forward.



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The NESO1 Business Plan builds from the BP3 baseline, with carefully assessed investments in capability and digital delivery, alongside an efficiency challenge. Annex 6 reflects a forecast based on the information available in October, with clear assumptions and identified areas requiring further development. Budget setting and in year financial management operate through a clear three-layer governance framework, with accountability from Directors to the CFO and ultimately the Board, reinforced through senior leaders' performance contracts and consequences for overspend. As we move into the formal budgeting phase within a constrained NESO1 financial envelope, we will draw this together by function to demonstrate management discipline and Board oversight of value and efficiency. We will continue proportionate monthly reporting to Ofgem, including material variances and governance, but do not consider the additional reporting requirements proposed in the Draft Determinations to be proportionate, as they extend beyond what is necessary to provide regulatory assurance on value for money. We are also unsure what Ofgem intend to do with this additional information.

We will re-publish Annex 6 with our approved FY27 budget numbers which will provide enhanced clarity on spend assumptions and confidence levels. We will provide the justification for operational cost and FTE increases from the BP3 baseline. This publication will provide transparency of the approach, governance and the board oversight of value and efficiency.

NESO is a relatively new organisation, and we have rapidly progressed through a period of growth to accommodate our new and expanded roles, towards a steady state. As a result, we now consider it the appropriate time to undertake a Zero Baseline Review to ensure a common understanding of the efficiency of our baseline costs, which will be carried out over the NESO1 period.



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## Appendix 1 Consultation Question Responses

### Overarching views on NESO's Performance Objectives

Q1. 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 welcome Ofgem's recognition that the NESO1 Business Plan covers the key areas of focus for NESO over 2026–28 and reflects an appropriate level of ambition. The plan was developed following extensive engagement with stakeholders, ensuring that their expectations and requirements are embedded at the heart of our commitments.

While we understand Ofgem's desire to recast elements of the plan to support its performance monitoring framework, this approach risks creating misalignment between the commitments we have made to stakeholders and the basis on which our performance is assessed. Maintaining close alignment is essential to ensure clarity, accountability and confidence. We expand on this concern in our responses to the individual Performance Objectives.

The Ofgem Expectations and associated Success Measures appear to represent an exhaustive set against which Ofgem propose to manage performance. We have therefore assumed that these replace the measures set out in the NESO1 Business Plan, and our response has been developed on that basis.

The suite of Success Measures aligned to each Performance Objective is integral to Ofgem's ability to undertake a comprehensive and balanced assessment of NESO's performance. However, aspects of the Draft Determinations – particularly the proposed Success Measures – do not fully reflect the original intent or integrated structure of the NESO1 Business Plan. Many of the proposed Success Measures are new and represent a material departure from what was originally set out. In addition, the suggested reallocation of Success Measures would have practical implications, potentially requiring NESO to operate separate frameworks for internal performance management and regulatory reporting. This would increase regulatory burden without clear evidence of commensurate benefit. Success Measures need to be further defined, and we suggest this is carried out in collaboration with Ofgem to ensure Success Measures that truly measure progress against Ofgem's expectations. We consider that some Success Measures that have been proposed could be datasets on the NESO Data Portal – to be transparent and enable the industry to gain their own insight rather than only at monthly reporting points. We would welcome further collaboration with Ofgem to ensure that these can be transparent for all.

It is also essential that the Ofgem Expectations and associated Success Measures allow NESO to demonstrate our direct contribution to outcomes and do not extend into areas beyond our span of control. In our detailed responses, we highlight several areas where we consider Ofgem's proposals risk doing so.

Finally, the proposed new Performance Objective (*Providing Customers with a High-quality, Independent and Trusted Service*) combines governance, transparency and administrative tasks.

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While NESO supports Ofgem's intent, we believe this Performance Objective should not be framed around customer trust. Trust is monitored at the enterprise strategic level and is built through performance across all NESO's functions. If the Performance Objective is considered necessary, it should instead focus on independent operational excellence the area these activities genuinely relate to. We therefore encourage Ofgem to refine the structure and Success Measures, so the framework remains clear, proportionate and aligned with its intended purpose.

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## Ofgem Expectations for outcomes and Success Measures

### Planning a Clean Energy Future

Q2. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Planning a Clean Energy Future Performance Objective?

#### NESO response:

We understand the intent behind Ofgem's suggestion to reshape the Performance Objective's structure and establish a clear link between the plans and the signals to build investors' confidence as well as the investment pipeline.

However, we have a number of substantive concerns regarding the Ofgem Expectations set for this Performance Objective:

- Given the revised timeline for the publication of the plans set out in December 2025, with both the CSNP and the RESP now scheduled for completion at the end of 2028, these deliverables fall outside the scope and duration of the NESO1 period. In this context, NESO considers that it would be premature to create direct accountability against these outcomes as currently proposed.
- Certain proposed expectations and associated Success Measures extend beyond NESO's reasonable span of control and, as such, should not form the basis for assessing NESO's performance.

Within the boundaries of the NESO1 period, we consider that the initial set of outcomes set out in the NESO1 Business Plan continues to provide an accurate and appropriate reflection of the intended focus and strategic direction for *Planning a Clean Energy Future*. We regard the effective delivery of the commissioned plans as a central indicator of performance, while equally emphasising the development of enduring planning capabilities that support a repeatable, rigorous, and transparent planning process. Furthermore, the outcomes underscore our recognition of the essential role of societal perspectives in shaping credible and sustainable long-term energy system outcomes.

Given this, we do not consider the Draft Determinations set a comprehensive set of Ofgem Expectations for the *Planning a Clean Energy Future* Performance Objective. In order to establish clear, appropriate and mutually agreed approach for assessing NESO's performance, we would welcome the prioritisation of further engagement to discuss and align on the performance measurement framework associated with the *Planning a Clean Energy Future* Performance Objective.

#### A.1 Improved coordination in network planning and development.

We agree with this expectation and believe this expectation from Ofgem is addressed in the initial version of the NESO1 Business Plan Performance Objective.

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### **A.2 Improved signals result in a pipeline of investments well aligned to future system needs.**

We believe there is a degree of ambiguity on this Ofgem Expectation and a potential misalignment between the delivery of the plans and the NESO1 timeframe and would welcome more information on Ofgem's expectations of this outcome. This could include scope, market vs network focus, investments vs. divestments. It should also be clearly aligned to the boundaries of NESO's span of control.

### **A.3 Investors show increased confidence in the energy market, supported by clear, stable market rules.**

We consider that investor confidence arises from a broader set of market, policy, and regulatory conditions, of which NESO's activities are only one of the contributions. Furthermore, we note that the diversity of investor types active in the energy sector – from network operators to institutional investors and private equity firms – significantly limits the feasibility of developing a single, accurate, and representative measure of overall investor confidence.

In addition, the timescale of NESO1 is a limiting factor to setting and monitoring this type of expectation.

### **A.4 Greater competition and innovation in network development.**

The development and implementation of network competition arrangements – including identification of suitable projects for competitive delivery and the effective management of tender processes – are consistent with NESO's role in enabling efficient and innovative network development. These activities support efficient delivery of network infrastructure and align with the broader objective of delivering an investable and deliverable clean energy system. It is, however, important to be clear that NESO is enabling this delivery on behalf of Ofgem.

Q3. Please provide any views you have on the Success Measures which should be used to identify of NESO success or otherwise of these Ofgem Expectations.

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>A.1 Improved coordination in network planning and development</b>	Participation and representation across societal, environmental, geospatial and advisory groups	We agree with this suggestion and have already included this measure as part of the Performance Objective (cf. page 19 of Annex 1: Delivering Value).
	Endorsement of plans by established governance	We agree with this suggestion and have already included this measure as part of the Performance Objective (cf. page 19 of Annex 1: Delivering Value). It is to be noted however that under the NESO1 period, NESO will deliver only those strategic planning outputs scheduled for completion within its defined timeframe. Specifically:

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		<ul style="list-style-type: none"> <li>The SSEP: In line with the SSEP Commission, there is the ambition for the UK, Scottish and Welsh governments and Ofgem to endorse the final SSEP alongside its publication.</li> <li>The tCSNP2R: In accordance with its licence obligations, NESO will submit the tCSNP2R to Ofgem for formal acceptance.</li> </ul>
	Number and quality of SEP datasets provided	<p>We agree with this suggestion and have already included the number of datasets provided as part of the Performance Objective (cf. page 19 of Annex 1: Delivering Value).</p> <p>NESO would welcome more information on this Success Measure to understand what dataset quality would mean for Ofgem.</p>
<b>A.2 Improved signals result in a pipeline of investments well aligned to future system needs.</b>	Consistency of NESO signals across SEP outputs	We acknowledge the importance of ensuring consistency across SEP outputs. However, as both the CSNP and the RESPs are scheduled for publication after the conclusion of the NESO1 period, it does not appear feasible to apply such a measure within the timeframe covered by NESO1.
	Alignment of investment pipeline to NESO needs identification	<p>We do not consider this an appropriate Success Measure.</p> <p>We note that the duration of the NESO1 period does not provide a suitable basis for a robust or evidence-based assessment of the relationship between the investment pipeline and the signals set out within NESO's strategic plans. In addition, delivery against this is materially constrained by dependencies on external parties and wider system factors that fall outside NESO's direct remit or control.</p>
<b>A.3 Investors show increased confidence in the energy market, supported by clear, stable market rules.</b>	Percentage track to milestones set in roadmaps / strategies	We would welcome further clarification on this measure to understand what roadmap or strategies refer to.
	Number and quality of Stakeholder engagements	We have already included this measure as part of the Performance Objective (cf. page 19 of Annex 1: Delivering Value) under the Customer Trust index.
	BUSoS forecast accuracy, TNUoS forecast accuracy, Number of billing delays, e.g. due to system issues	We would welcome further clarification regarding the intended interpretation and application of these measures as NESO does not consider it clear how the proposed measures align with, or meaningfully relate

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		to, the strategic planning activities undertaken within the NESO1 timeframe.
<b>A.4 Greater competition and innovation in network development.</b>	Number and quality / fit of potential projects for competitive delivery identified;	<p>We acknowledge the intent to assess NESO on its role in running the project identification process; however, the number and quality of projects emerging from this process is inherently dependent on the suitability and robustness of options submitted into the wider network planning framework. We therefore consider that a more appropriate measure would focus on NESO developing and applying a transparent methodology to identify projects suitable for competitive delivery.</p> <p>Potential indicators could include: (1) the methodology being formally agreed with Ofgem, (2) clear and evidenced application of the methodology, (3) a transparent rationale for projects identified or excluded, and (4) demonstrable engagement with industry on the development and ongoing refinement of the methodology.</p>
	Tender process stages run in line with expectations in line with SOP;	<p>We note that this measure is necessarily contingent on Ofgem approving projects for competition. However, where such approvals are granted, we consider it appropriate that NESO is assessed on its adherence to the processes set out in the SOPs, as well as to the associated delivery timescales.</p> <p>Potential indicators could include: (1) NESO demonstrating that the necessary capability is in place to launch the first tender, (2) where tenders are approved by Ofgem, evidence that these are delivered in accordance with the approved process, and (3) delivery within the expected timescales.</p>
	Appropriate level of market interest at relevant stages;	<p>We consider that this measure would be more appropriately focused on NESO's role in undertaking activities to stimulate and monitor market interest, rather than on the absolute level of interest itself, which may be influenced by factors outside NESO's control.</p> <p>Potential indicators could include: (1) clear evidence of sustained and demonstrable market engagement activities, and (2) the provision of concise summaries of prevailing market appetite alongside any NESO recommendations for competition.</p>

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	Market readiness, including mock tenders or other engagement.	<p>We consider that further discussion with Ofgem would be beneficial, particularly given that mock tenders do not form part of the current plan and therefore should not be treated as a Success Measure. Elements of market engagement could instead be captured within the <i>Appropriate level of market interest at relevant stages</i> Success Measure section. In addition, given that innovation sits explicitly within the title of this Ofgem Expectation (A.4), we suggest the inclusion of a measure that reflects NESO’s role in promoting opportunities for innovation that deliver consumer benefits—whether through the specification of tendered works, the design of evaluation criteria, or the wider scope for innovation across project financing, design, delivery, and ownership within the competitive model.</p> <p>Potential indicators could include: (1) tender documentation that enables innovation within the parameters of the network planning process, and (2) the inclusion of evaluation criteria that identify and promote proportionate, quantifiable consumer benefits arising from bidders’ innovative proposals.</p>
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## Operating an Intelligent, Real-Time Grid

Q4. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Operating an Intelligent, Real-Time Grid Performance Objective?

We are pleased that Ofgem agree that this Performance Objective reflects the key areas of focus for NESO during NESO1. The proposed Ofgem Expectations and associated Success Measures provide clarity on the particular focus areas for Ofgem during this period and are well aligned to the measures included in the NESO1 Business Plan. Whilst the Success Measures do not fully describe the roles and responsibilities of System Operations or the broad strategic direction of the operational environment, it is helpful to understand how we can demonstrate our success to Ofgem and the wider industry.

The proposed Ofgem Expectations broadly cover the secure, economic (B.1) and carbon efficient (B.3) operation of the system. Alongside improved capabilities (people, process and tools) to drive operational efficiency (B.2) and coordination of an ambitious outage plan, whilst minimising the impact on consumers and other users of the system (B.4). It is important that the Success Measures associated with these Ofgem Expectations allow NESO to demonstrate our direct contribution to delivering these outcomes and do not stray in territory outside the span of our control. We have made some suggestions in response to Q5 to reinforce this.

### **B.1 NESO initiatives retain or improve system reliability standards while reducing costs of system balancing.**

With the backdrop of managing an increasingly complex electricity system, we see this expectation as representing two sides of the trilemma of maintaining a secure system whilst driving cost efficiency in the decisions we make (carbon efficiency being covered in a later expectation). However, we do not agree with the expectation of 'reducing costs of system balancing'. It is recognised that balancing costs will increase up to 2030, due to factors beyond our direct control, as we support the delivery of network infrastructure improvements and deliver connections reform. It is right that NESO performs system balancing as efficiently as possible, but we will not be able to reduce overall balancing costs until the already identified network infrastructure improvements are complete. The timescales for completion of these infrastructure investments are well beyond the timeframe of the NESO1 plan.

Infrastructure improvements and reinforcement are critical to the delivery of UK government clean power targets and the connection of new market participants. High volumes of system access will be required to achieve this. NESO is working with our industry partners to ensure that system access is delivered efficiently, for example through System Access Reform (SAR). However, it is recognised that this will increase constraint costs in the short term. NESO should be measured against how efficiently these network upgrades are managed operationally, rather than the overall balancing costs associated with delivering them.

Efficient system balancing will also require the incorporation of new technologies into our markets and operational systems, providing us with visibility and control of distribution level connected demand and generation. This will be necessary to minimise operational uncertainty and reduce

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overall costs of operating the system. We propose replacing ‘reducing costs of system balancing’ with ‘efficiently managing balancing costs’ or something similar.

### **B.2 Improved Operational Planning and Forecasting**

We agree that robust operational planning and forecasting is key to securely and efficiently operating the system. However, we are unclear on the specifics of this expectation and how it aligns with B.4, regarding the proactive and efficient management of outages, which form a fundamental part of operational plans.

Our existing ‘Short Notice Changes to Planned Outages’ metric describes the quality of NESO’s plans in a sense of measuring the delayed or cancelled outages at short notice due to NESO process failures. This metric reflects our performance in ensuring that operational plans are effectively delivered on time, safely and as per agreements with our customers. However, this may be more relevant for the B.4 expectation.

We also note that it has been proposed that the forecasting measures are moved to the *Facilitating Sector Digitalisation* Performance Objective. More clarity is required on this expectation to provide a detailed response.

### **B.3 Extended periods of zero carbon operation and reduced electricity system carbon intensity.**

We align with Ofgem’s recognition of the importance of reducing the carbon contribution of the electricity system. This forms the important final side of the secure, cost and carbon efficient operational trilemma. Zero carbon operation is a strong indicator of the sectors progression towards this goal. However, it is not a goal that we can achieve alone. Setting a direct expectation on NESO to reduce the overall electricity system carbon intensity overlooks the contribution that is required by industry. We recognise that NESO is at the heart of the industry and must create the right environment to enable zero carbon, but progress is not delivered by NESO alone.

We believe that setting an expectation to ‘Operate with high percentages of zero carbon more frequently and for longer durations’, is a measurable and achievable outcome. Providing data on the number of settlement periods where the market offers a zero-carbon generation mix provides an indicator of generation capability and any longer-term trend. Similarly, data on the carbon intensity of NESO actions provide further indicators of the availability of lower carbon intensity actions to NESO. However, we are unsure how these data would translate into NESO Success Measures within defined targets.

Throughout NESO1, we will also be looking forward to the 2030 Clean Power ambition, outlined in the governments clean power 2030 action plan – transitioning from the zero-carbon ambition to clean power 2030 ambition. This may be an opportunity to explore Success Measures that focus on this transition alongside existing zero-carbon measures.

We propose this expectation is reframed to be: Operate with high percentages of zero carbon more frequently and for longer durations – supporting the transition to CP30.

### **B.4 Outages are managed proactively and efficiently, with their impact minimised.**

Through NESO1, we will support the extensive reinforcement activity of TOs and DNOs alongside connections reform, maintenance and other activity. A fundamental role of NESO is the

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coordination of this activity as efficiently as possible, aiming to minimise the impact on other users of the system and the end consumer, while meeting our security standards. Our ability to do this is heavily influenced by unplanned activity, for example by faults or asset failure.

A successful outcome for this expectation must be driven by our ability to enable users of the system to take the outages they need and not by asset availability or reliability.

It is not clear how the proposed measures allow NESO to demonstrate effective and proactive outage management whilst minimising their impact, which is part of the expectation.

Measures that could be included in this area encompass the existing metric for 'Short Notice Changes to Planned Outages', as explained in B.2, which measures our effectiveness in facilitating operational plans. In addition, the metric for 'Constraints Cost Savings from Collaboration with TOs' includes NESO's optimisation efforts to minimise the impact of outages on energy flow and reduce the length of time generation is unable to export power onto the network, therefore reducing costs to consumers.

Additional metrics to explore in this area could include delivery of opportunity outages, ability to accommodate short- and medium-term changes to the plan and increased visibility of forecast long term plans. We propose to report on this measure as an indicator of market trends.

Q5. Please provide any views you have on the Success Measures which should be used to identify of NESO success or otherwise of these Ofgem Expectations.

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>B.1 NESO initiatives retain or improve system reliability standards while reducing costs of system balancing.</b>	Dispatch Efficiency (including skip rates)	<p>As part of BP3 delivery, we have been working with industry to define skip rate metrics and have committed to agreeing a target for skip rates by the end of the BP3 delivery period. We have also been improving transparency on skip rates along with developing a methodology for storage behind constraints with industry, which will be implemented during the NESO1 period. Conclusion of our root cause analysis will provide insights into possible further methods for defining and measuring dispatch efficiency.</p> <p>We will also be continuing the skip rate target that we have set as an average of 30% from January through to June until implementation of Grid Code modification GC0166, as we will need to make methodology amendments. We arrived at this target based on a combination of our understanding of the theoretical average minimum skip rate of circa 21%, skip rate performance to date and on the initiatives in train aimed at reducing it. The skip rate has been steadily reducing since September at the rate of circa 0.5 -1% per month. With the exception of GC0166 (which we expect to have a big impact on asset</p>

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		<p>utilisation and commitment skips rather than the PSA stage 5 skip rate), coming in June, we have currently delivered all of the known skip rate reduction initiatives. As we continue our root cause analysis work, further actions may be identified, but as yet they remain unknown. On that basis the reduction in skip rates through to June will be based on initiatives already delivered and their further enhancement and continual improvement into use. We have also seen with measuring over the past year that there is variation month to month, and we expect this trend to continue so whilst we have seen a recent month on month reduction this is not expected to be the case every month. We therefore believe that an average rate of 30% is a realistic and achievable target, and one which drives an ongoing commitment to reducing skip rates. We remain committed to driving skip rates down as much as possible and we are already considering how we can evaluate the impact of the introduction of GC0166 on our dispatch decisions. The existing skip rate metrics and target can be utilised to demonstrate this measure along with further methods that are identified.</p>
	System Management and Disturbances	<p>NESO routinely reports on system disturbances and events. Please provide more clarity if additional reporting is required. We propose utilising existing reporting for System security.</p>
	Aggregated cost savings by NESO initiatives	<p>Reporting on NESO initiatives that deliver balancing cost savings is a good way to demonstrate that we are driving efficiency into the decision we make. We propose reporting on aggregated cost savings by NESO initiatives. We can currently report this as supplementary evidence to our current balancing costs reported metrics reporting.</p>
	Balancing costs	<p>NESO routinely reports on Balancing costs. NESO is acutely focused on driving efficiency into the decisions we make. It is not within NESO's gift to reduce balancing costs, which are influenced by a range of factors. However, we can demonstrate efficiency by reporting on aggregated cost savings by NESO initiatives, as mentioned above. We propose continuing reporting on balancing costs and demonstrate NESO value through aggregated cost savings of NESO initiatives.</p>
<b>B.2 Improved Operational</b>	Accuracy of operational plans within control room	<p>As mentioned in our response to Q4, we are unclear on the specifics of this measure.</p>

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<b>Planning and Forecasting</b>		<p>'Operational plan' is not one defined term used in the NESO operational environment. This was used as a term within the impact pathways to reflect the fact that we continuously refine and aim to improve forecasts, update analysis studies, monitor market submissions and real time system conditions and consider a number of other factors, to ensure secure and economic real time operation. This is a continuous process on a dynamic power system within a market-driven environment, as such we are unclear on the intention behind 'accuracy of operational plans' in addition to our other metrics such as forecasting accuracy, skip rates, delivery of outages, balancing costs and delivery against SQSS. More clarity is required on this Success Measure to provide a detailed response.</p>
<b>B.3 Extended periods of zero carbon operation and reduced electricity system carbon intensity.</b>	Percentage Zero carbon operability on system by settlement period	<p>Our Zero Carbon ambition is to be capable of operating the power system with a 100% zero carbon generation mix in 2025, and for that capability to grow as future projects and new zero carbon generation assets deliver. On this basis, an effective measure of ZCO performance beyond 2025 is that we demonstrate operation of the system with higher percentages of zero carbon generation, more often - when the market and system conditions allow. We believe that the following measures will demonstrate NESO and industry zero carbon progression:</p> <ol style="list-style-type: none"> <li>1. How many times certain thresholds of ZCO performance are achieved (e.g., 100%, 95%, 90%); and,</li> <li>2. How long we have maintained each threshold for continuously (e.g., 90% for 8 hours straight)</li> </ol>
	Average and maximum carbon intensity of NESO actions by settlement period	<p>This is a measure that NESO currently reports on and can continue to do so through the NESO1 period. We propose continuing to report on this measure.</p>
	Number of settlement periods of where market offers zero carbon operability opportunities which are not realised due to NESO actions	<p>We provide visibility of zero carbon generation made available by the market by settlement period, focusing on the difference between what the market offered, and the highest percentages operated with. This can be adapted to focus on when opportunities were not realised, but the market may offer a zero-carbon generation mix outside of our current capability. This is something that we can measure. We propose reporting on this measure as an indicator of market trends.</p>

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<b>B.4 Outages are managed proactively and efficiently, with their impact minimised.</b>	System availability and System reliability	<p>These are existing measures, which relate to asset availability and reliability. It is not clear how these measures allow NESO to demonstrate a successful outcome of this expectation regarding effective outage management, except by providing the counter-factual i.e. the outcome has been enabled despite low availability or reliability, for example. We propose continuing to report on these measures through the National Electricity Transmission System Performance Report and removal from NESO Success Measures.</p>
	Changes planned to outages	<p>It is not clear whether this is referring to an existing metric, e.g. 'Short Notice Changes to Planned Outages' or a different measure. More clarity is required on this Success Measure to provide a detailed response.</p>



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## Enabling Smarter, Cleaner Markets

Q6. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Enabling Smarter, Cleaner Markets Performance Objective?

Overall, we welcome Ofgem's recognition of the importance of the *Enabling Smarter, Cleaner Markets* Performance Objective. However, we are concerned that the Draft Determinations appear to give limited consideration to NESO's role beyond electricity markets. In particular, the proposed Success Measures appear to be heavily focused on electricity, with insufficient recognition of NESO's wider, cross-vector and market responsibilities.

NESO is happy to evidence its decision-making and the balance of considerations across its statutory roles. Our Market Design Framework, first developed in 2021 and updated in 2025 to reflect NESO's statutory duties, continues to guide our market reform activity, including trade-offs between consumer value, investibility and operability. The framework is well understood by stakeholders and remains central to explaining our decision-making and maintaining transparency. We have also used this framework where it adds value in other aspects of our role, for example our work on Reformed National Pricing.

We agree with Ofgem and consider long-term market design, including ongoing wholesale market reform, to be a core and continuing part of NESO's role, rather than a narrower focus on reactive or stability-only markets. We are a formal partner to DESNZ and Ofgem in designing and implementing wider market arrangements in operational and investment timescales, and we also provide advice and influence on operational and policy matters related to cross border strategy and EU alignment.

A new licence condition will exist for NESO to promote the development of energy wholesale market arrangements to facilitate an efficient transition. We will propose changes to the Industry Codes to improve the functioning of the electricity and gas wholesale markets with respect to the wider energy system.

Finally, sustained engagement with stakeholders—including the Market Facilitator, Electricity Markets Advisory Council, code bodies and market participants—remains a key part of delivering the *Enabling Smarter, Cleaner Markets* Performance Objective. Alongside this, we want to explicitly call out that the collaborative engagement through the Gas Advisory Council will continue to support the transition of gas market arrangements and to develop the Future Markets Gas plan.

More specifically with regards to Ofgem's expectations:

**C1. Market design and operation encourages innovation and efficient market participation** and **C2. Market design and operation facilitates optimised system operability.**

We feel these are suitable expectations from Ofgem if it is interpreted to consider the width and depth of NESO's role and duties including electricity balancing, wholesale market reform, capacity market, CfD auction, gas market planning and whole system interactions. It is worth noting that particularly for expectation C.1, we would recommend the addition of "advice" or "guidance" to indicate that we have influence across markets but not control of the design and operation of all markets.



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Q7. Please provide any views you have on the Success Measures which should be used to identify of NESO success or otherwise of these Ofgem Expectations.

As with the Ofgem Expectations, we do not feel that the Success Measures suggested are reflective of the range of activities carried out in this area – in particular the link to gas market arrangements. The proposed measures appear to be very electricity balancing market focussed and we propose that further measures/broader success definitions may be required within the NESO1 period to fully consider NESO's performance across this Performance Objective.

In addition, the Success Measures may not reflect our progress across the NESO1 period as some changes will develop over longer timescales. Most measures are lagging and given the longer-term nature of some changes developed and taken forward by NESO, some prospective leading indicators would seem appropriate.

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>C.1 Market design and operation encourages innovation and efficient market</b>	<ul style="list-style-type: none"> <li>Market liquidity (Settlement period average % over/undersupplied) – across all markets;</li> <li>Average cost of NESO procurement;</li> <li>Profile of provider types (inc new provider types);</li> </ul>	<p>The statement “all markets” requires a clear definition – we have assumed that market liquidity, NESO procurement and provider type profiles relate to NESO balancing markets and the Balancing Mechanism for the purposes of this response.</p> <p>As we have mentioned above, these are very electricity balancing focussed in their measurement and do not appear suitable to measure Ofgem's wider expectations of NESO.</p> <p>Although we can see the relevance in these metrics we consider that all supporting calculations and documentation of such will need to be done in collaboration between Ofgem and NESO.</p> <p>In addition, we would like to ensure these incentives do not drive unhelpful behaviours and are outcome focused – increasing market liquidity should be taken in consideration against the cost of increasing system risk (e.g. achieved by reducing buy order prices to increase liquidity, reduce procurement cost and reduce average price) and this focuses on growing markets and market access. How this is then considered against ongoing operational balancing requirements and ultimately a whole assessment of NESO activity is crucial for the relevance of these metrics.</p>

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	<ul style="list-style-type: none"> <li>BM registration timelines.</li> </ul>	<p>We proposed On-boarding time of market participants to engage with the balancing mechanism (BM) as a Success Measure for the Operating an Intelligent, Real-time Grid Performance Objective in our NESO1 Business Plan and are unclear why this Success Measure has now been attributed to this Ofgem Expectation.</p> <p>As it relates to this outcome, BM registration timelines are one aspect of the onboarding process for market providers. We agree that there is merit in tracking this process, the experience for customers and how the roles of providers, NESO and others in this process can lead to detrimental outcomes. However, we consider that onboarding should be considered more widely to reflect those participating in our other markets as well. NESO would welcome a full review with Ofgem of a suitable methodology to measure this and how to recognise the different pressures and impacts that each stage of the process can have. NESO consider that the relative usefulness of this measure should be fully assessed during the NESO1 period ahead of defining any future success measure in further NESO business plan periods.</p> <p>It would also be useful to understand why the intention is to measure this for the BM only, when NESO operates other markets.</p>
<b>C2. Market design and operation facilitates optimised system operability.</b>	<ul style="list-style-type: none"> <li>average £/MWh of markets;</li> <li>quality / coherence of market signals.</li> </ul>	<p>At this stage it is not clear how these measures will indicate optimised system operability from the work we carry out within our balancing service markets and their development. In addition, it is not clear how the suggested measures would show whole system interactions and NESO's activities within these.</p> <p>In terms of wider activities away from electricity balancing, we do not consider that these measures are suitable for the Capacity Market or CfD regime.</p>

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		For example, a Success Measure that is linked to consumer value in terms of our activities in the Reformed National Pricing programme and gas market planning could be a potential suitable measure indicating NESO's forward looking work in these key areas.
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## Delivering a Decarbonised, Operable Grid

Q8. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Delivering a Decarbonised, Operable Grid Performance Objective?

We agree that the set of Ofgem Expectations align with our role in enabling faster, more efficient connections and supports strategic clean power goals, however many of the proposed Success Measures are ambiguous, subjective, or not fully within NESO's control (please see our response to Q9 for further details).

Further to this, we recognise that Ofgem explicitly highlighted two areas in our NESO1 Business Plan, Strategic Demand and Distribution Network Operator (DNO) Engagement, where further explanation was needed. Our initial response and views on both areas, can be found below:

### Strategic Demand

We recognise that when the NESO1 Business Plan was initially developed, the policy landscape for demand connection reform was still in development. As a result, we were not able at that time to set out the full set of detailed deliverables or indeed define the strategic outcome for this work.

Since then, more clarity has emerged. This enables us to be more specific about the outcomes, timelines and deliverables that sit within our remit. We will need to articulate these clearly.

It is also important to emphasise that demand connection reform is a multi-faceted programme delivered jointly with Ofgem and government. We play a key role within this, but it is not a programme for us alone to deliver. Our approach will therefore include:

- Clearly setting out where we will lead,
- Where responsibilities sit with partners, and
- How handovers, decision points and shared accountabilities will operate across the end-to-end process.

We also agree with Ofgem's expectations around the active and effective management of the connections queue. In taking this forward, it will be important to reflect that queue size alone is not the primary indicator of progress or system benefit.

Our focus is on ensuring that the queue consists of viable, deliverable and strategically aligned projects – those that are genuinely ready to move forward and align with wider government and system needs. This means prioritising:

- Quality and readiness of projects, not simply the number of entries in the queue.
- Viability as demonstrated through milestones, evidence, and deliverability.
- Alignment with wider strategic aims, including government policy direction for Strategic Demand, system planning, and the needs of the energy transition.

As the policy framework for Strategic Demand has matured, we are now in a better position to articulate more clearly how these principles translate into deliverables – though important to highlight there is still uncertainty whilst policy is still being developed.

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### DNO Engagement

We agree that strong and structured engagement between us and DNOs is essential to delivering effective connections reform. Clear roles and handovers between transmission and distribution parties are critical to providing customers with a consistent and transparent experience. Close coordination at the Transmission–Distribution interface will be fundamental to achieving the outcomes expected under this Performance Objective. In addition, using the Hub<sup>3</sup> to coordinate with DNOs through defined workstreams and governance will be important to ensuring consistent delivery and effective oversight.

Q9. Please provide any views you have on the Success Measures which should be used to identify of NESO success or otherwise of these Ofgem Expectations.

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>D.1 Faster connection times, shorter queues, and lower administrative burden for prospective connectees to the electricity network</b>	Connection offer timing	This is a new measure proposed by Ofgem and in its current form is ambiguous. Further clarity is needed on whether it is intended to capture the volume of offers issued, average time to offer, or deviations from target timescales, and alignment with established reporting (such as Timely Connections Reporting) may be appropriate. However, we should not be tied to 'Connection Offer timing', as these timelines are wholly dependent on how TOs plan, sequence, and deliver network build. We currently have no mechanisms to ensure TOs deliver to their programmes.
	Number of "right first-time" connection offers	This measure is also new and would require clear, objective criteria to be assessed robustly and consistently across all relevant parties. The concept of "right first time" is inherently subjective, and much of the underlying input is dependent on TOs, DNOs and other organisations. As we do not control the quality or completeness of offers developed by these parties, it would not be appropriate to tie our performance to this measure in its current form.
	Shorter connection dates offered	Ofgem's proposal is new and we have no direct levers to influence connection dates. Many projects cannot receive short connection timescales due to system constraints or project specific characteristics, and it is unclear how "shorter" would be defined without an agreed counterfactual or benchmark. Given the dependence on TO and DNO

<sup>3</sup> The Connections Reform Hub Workstreams are cross industry groups made up of NESO and Networks and where suitable Ofgem and DESNZ designed to consider all aspects of the implementation of connections reform in a joined-up manner

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		network delivery, and the challenges in establishing a fair baseline, we do not believe it should be measured against this proposal in its current form.
	Connections queue of G2 shorter / more aligned	This proposed measure is ambiguous, and much of the queueing process depends on information and actions from TOs, DNOs and connectees. We cannot direct or influence TO and DNO processes. We did, however, include in our NESO1 Business Plan a measure on the percentage of projects in the reformed connections queue aligned with CP30, as strategic alignment is a meaningful indicator of contribution to clean power goals and system growth.
	Administrative burden of the connections process	While this is an area Ofgem is considering, measuring administrative burden in isolation is challenging and risks overlooking wider system outcomes. Burden is difficult to quantify objectively and should not be assessed independently of process effectiveness and clarity. As we do not own the end-to-end connections process and rely on several other delivery partners, feedback mechanisms may provide a more accurate reflection than a standalone burden metric.
	Connection Portal experience feedback	This is an existing measure developed within the NESO1 Business Plan, and we agree that structured user feedback on the connections portal provides valuable insight. Assessing clarity, accessibility and usability supports continuous improvement and offers a practical and meaningful indicator of user experience.
<b>D.2 The electricity connection queue is actively and effectively managed</b>	Size and composition of the connection queue	This is an existing measure within the NESO1 Business Plan and aligns with our established commitments to manage queue composition in a way that supports system growth and delivery of clean power objectives. It provides a meaningful indicator of how effectively projects are progressing through the reformed process and how well the queue reflects strategic system needs.
	Milestone tracking	This is a new measure proposed by Ofgem and, in its current form, lacks clarity on which milestones are in scope, how adherence or slippage would be assessed, and how such assessment informs

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		performance evaluation. Any approach must take account of the diverse build profiles and project characteristics that influence individual customer timelines, and we should not be penalised for delays arising from factors outside its control. If the measure intends to capture construction milestone adherence, we have no mechanism to ensure TOs or connectees meet those dates; in this area our role is limited to administering the process between the relevant parties.
<b>D.3 Deliver inputs to policy for low carbon developments</b>	Quality of connected/connecting TSO engagements	This is a new measure proposed by Ofgem and could, in principle, be applicable through a qualitative assessment framework. However, any evaluation of “quality” will require clear, transparent and consistently applied criteria to ensure objectivity and avoid subjective interpretation. Given the collaborative and iterative nature of cross TSO engagement, it will be important that the measure recognises the shared responsibilities inherent in these interactions.
	Quality and timely provision of modelling and expert insight	This is a new measure proposed by Ofgem and may be meaningful when viewed through a qualitative lens. We note that further refinement is needed to define the expected reporting scope, assessment cycles and the standards against which “timeliness” and “quality” will be judged. Given the iterative, analytical and consultative nature of policy development, a proportionate and clearly defined framework will be necessary to ensure that performance is assessed fairly and reflects the realities of collaborative policy engagement.



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## Driving Whole-System Resilience

Q10. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Driving Whole-System Resilience Performance Objective?

We believe the Draft Determinations clearly outline Ofgem Expectations and represent a comprehensive set of outcomes. We have well-established activities to assess risk and drive action to support security of supply. These include our season-ahead views set out in the Summer and Winter Outlook Reports; recommendations for the Capacity Market set out in the Electricity Capacity Report; and longer-term assessments set out in our Resource Adequacy in the 2030s report and the Gas Supply Security Assessment. In combination these reports provide clear market signals and set out to reassure energy consumers in Great Britain that reliable energy supplies can be ensured in line with well-established standards.

We would note that whilst there are agreed standards on security of supply, there is less clarity in terms of resilience standards. We recommend highlighting this, noting the Government's announcement to develop a resilience framework and outline that we will work with partners to help develop this.

Ofgem's expectations regarding delivery, and the long-term sustainability, of the Electricity System Restoration Standard are aligned with our plans and obligations. Meeting these expectations requires us to maintain robust restoration strategies, plans and activities, such as control engineer exercises and plant testing, to ensure continued compliance with the restoration standard. Successful delivery is dependent on effective engagement from relevant industry stakeholders, supported by appropriate regulatory frameworks and funding arrangements, as well as sufficient agility in those arrangements to adapt to a rapidly changing energy landscape.

Q11. Please provide any views you have on the Success Measures which should be used to identify of NESO success or otherwise of these Ofgem Expectations.

We broadly agree with the measures set out, however would note a number of points where clarity would be beneficial across the Success Measures. Compliance with Electricity System Restoration Standard (ESRS) is also evidenced through ongoing engagement with industry stakeholders, who are required under the codes to demonstrate preparedness and actions before, during and after a National Power Outage (NPO); progress against these obligations provides a meaningful success measure.

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>E.1 A system with maximum uptime and capability to recover quickly from events</b>	Hours unsupplied	There is a clear need for greater clarity and definition when considering measures such as hours unsupplied, particularly at the system level and across different fuels, as well as distinguishing between planned and unplanned events.

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		It is important to note that these measures may extend beyond NESO's direct sphere of control.
	Time to recover events	It should be acknowledged that system unavailability and recovery can often be symptomatic of legacy issues.
	ESRS compliance & cost	ESRS is clearly understood and agreed upon. However, it is essential to emphasise that cost considerations must be confined to those areas where NESO has direct control over expenditure.
	Percentage System Availability	<p>There is a clear need for greater clarity and definition when considering measures such as system availability, particularly at the system level and across different fuels, as well as distinguishing between planned and unplanned events.</p> <p>It is important to note that these measures may extend beyond NESO's direct sphere of control. Furthermore, it should be acknowledged that system unavailability and recovery can often be symptomatic of legacy issues.</p>
	More generally, the outcomes of industry investment or policy changes that are driven by NESO's risk identification and subsequent recommendations may not be fully realised during the NESO1 period. As such, these outcomes may be better evidenced through qualitative or narrative-based assessments rather than quantitative metrics.	
<b>E.2 NESO develops future resilience and restoration capability</b>	De-rated margin forecasts	The reliance on metrics such as Loss of Load Expectation (LOLE) and derated margins currently places a heavy emphasis on electricity, which could inadvertently overlook the relevance of NESO's Gas licence obligations. It is therefore essential that these measures are clearly defined to ensure they encompass the requirements for both electricity and gas. Furthermore, the effectiveness of these measures is often significantly affected by external market conditions within the business plan period. This influence may undermine their value in fully assessing NESO's performance and highlights the importance of incorporating qualitative or narrative-based evidence alongside quantitative indicators.
	Loss of Load Expectation	

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	Evidence of risk reduced	Reductions in risk are most effectively evidenced through qualitative assessments, providing a more nuanced understanding of NESO's impact.
	Number/priority of (NESO-led) mitigations actions	The number and prioritisation of mitigation actions led by NESO are consistent with our initial proposals in the NESO1 Business Plan.

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## Building a Digitally Connected Energy System

Q12. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Building a Digitally Connected Energy System Performance Objective?

We agree with Ofgem's that open data and a digital ecosystem are fundamental to managing the increasingly complex energy system, and the need for all participants to have easy access to high quality data and to engage through reliable and simple digital tools. We also agree that NESO has a core role to play in provision of data and digital tools, both for use within our organisation and for industry participants to utilise.

As the outcomes set out in Ofgem's Expectations are well aligned with the NESO Business Plan and reflect our Strategic Aims, we agree with their framing. Whilst F.3, as the newly proposed outcome, of being a digital leader represents a new area introduced by Ofgem, we recognise that it closely supports NESO's ambition and overarching objectives. However, we believe that the Success Measures for this outcome could be further strengthened by explicitly including metrics relating to 'thought leadership'. For reference, examples of such metrics were provided in our original Performance Objective submission.

### **F.1 NESO and industry have access to complete, usable, useful data**

We believe this expectation is appropriate. From a NESO lens, we cannot perform our roles without access to trusted, robust and usable data from industry. Additionally, to achieve CP30, industry would need to digitalise and therefore be able to access the required data and ensure it is trustable and complete.

We believe the objective should be measured proportionately as applied to industry use cases.

### **F.2 Secure and standardised data exchange is established**

We believe this expectation is appropriate. From a NESO lens, we cannot perform our roles if we do not have secure and standardised data from industry. Additionally, to achieve CP30, industry would need to digitalise and therefore require secure and standardised data for this to be possible.

We believe the objective should be measured proportionately as applied to industry use cases.

### **F.3 As a digital leader in the industry, NESO progresses its own and sector digitalisation**

This expectation is appropriate to achieve CP30 and beyond. It is open ended due to need for NESO to engage industry and agree current vs target state. DSI as a deliverable by NESO will facilitate this.

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Q13. Please provide any views you have on the Success Measures which should be used to identify of NESO success or otherwise of these Ofgem Expectations.

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>F.1 NESO and industry have access to complete, usable, useful data.</b>	<ul style="list-style-type: none"> <li>• Number of data requests;</li> <li>• Number of requests met;</li> <li>• Number of reduced manual data intake;</li> <li>• Number of users;</li> <li>• Demand Forecasting Accuracy;</li> <li>• Wind Forecasting Accuracy;</li> <li>• Number of additional data sets provided.</li> </ul>	<p>We believe the metrics to measure are appropriate but that some targets cannot be defined until we have a current vs target state.</p> <p>We are able to define targets for Demand Forecasting and Wind Forecasting accuracy for Ofgem's consideration.</p>
<b>F.2 Secure and standardised data exchange is established.</b>	<ul style="list-style-type: none"> <li>• Number of reduced data interfaces;</li> <li>• Percentage of time data is available to industry;</li> <li>• Average time/experience of onboarding to DSI;</li> <li>• Number of uses.</li> </ul>	<p>We believe the metrics to measure are appropriate but that some targets cannot be defined until we have a current vs target state.</p> <p>Some targets will depend on the use of DSI, such as number of uses and average time/experience of onboarding to DSI, so cannot be set until use cases are agreed.</p> <p>We are able to define metrics to measure percentage of time data is available for Ofgem's consideration.</p>
<b>F.3 As a digital leader in the industry, NESO progresses its own and sector digitalisation</b>	<ul style="list-style-type: none"> <li>• Average time to remedy user/usability errors;</li> <li>• Uptime of services;</li> <li>• Timely delivery of quality digital products;</li> <li>• Number of industry interfaces in a digital fashion.</li> </ul>	<p>We believe the metrics to measure are appropriate but that some targets cannot be defined until we have a current vs target state.</p> <p>We are able to define metrics to measure uptime of services for Ofgem's consideration. Timely delivery of digital products will vary project to project.</p> <p>We feel there is a metric gap on being an industry 'thought leader', which could be closed by one of the example metrics we included in our original PO response.</p>

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## Providing Customers with a High-quality, Independent and Trusted Service

Q14. Do you agree with our proposal to include this additional Performance Objective for NESO?

We recognise the importance of NESO operating independently and maintaining the confidence of the stakeholders we serve. Customer trust is already one of NESO's core strategic aims, reflected throughout the NESO1 Business Plan and embedded across our existing Performance Objectives. Trust is not a standalone activity. It is the result of consistent, transparent and high-quality delivery across all our functions.

In this context, we are concerned that the proposed new Performance Objective duplicates areas already covered elsewhere in the framework and does not reflect its true purpose. The activities described in the proposed Performance Objective relate mainly to internal governance, operational transparency and code administration. These are important, but they are not measures of customer trust. Positioning them as such risks confusing stakeholders and weakening the distinction between operational processes and the trust that results from them.

To better reflect the scope of the activities included, we suggest renaming the Performance Objective along the lines of *Ensuring Transparent and Independent Organisational Performance* or *Independent Operational Excellence*. This more accurately captures what the Objective is intended to cover, without reframing trust as an operational input.

We support Ofgem's aim to encourage high quality business practices. However, several of the proposed Success Measures rely on subjective assessments. These types of indicators are better treated as broader business health metrics rather than measures of delivery within a single Performance Objective. We would welcome further work with Ofgem to refine these measures, so they are clear, objective and proportionate.

Our aim is to embed customer trust across everything we do, not to separate it into its own category. We encourage Ofgem to ensure the final framework avoids duplication, maintains alignment with the impact pathway model, and keeps a clear distinction between organisational processes and trust outcomes. We remain committed to working closely with Ofgem to ensure the Performance Objective is properly scoped and supports transparent, fair and evidence-based assessment of NESO's performance.

Q15. Do you agree that the outcomes proposed under this Performance Objective are clear and comprehensive? Please provide any views for additional outcomes, if appropriate.

### G.1 NESO has a high degree of stakeholder and customer trust

While critically important, this is not an operational outcome but a *result* of effective delivery across all other Performance Objectives. Measuring trust in isolation risks weakening its strategic relevance and conflating it with short-term stakeholder sentiment. Customer trust is already one of NESO's Strategic Aims, where it is more appropriately positioned at an organisational level rather than tied to a single Performance Objective whose underlying content is largely unrelated to trust.

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### G.2 NESO's plans and strategies provide certainty to stakeholders and ensure NESO can be held to account for quality and efficiency of delivery

This is a relevant and important outcome, but it does not relate to customer trust. Instead, it reflects clarity, transparency and predictability in NESO's organisational planning and strategic intent. However, the outcome is currently expressed using subjective and undefined terms such as "certainty", "quality" and "efficiency." Without clearer definitions, this outcome cannot be assessed consistently or objectively. This further reinforces the case for reframing the Performance Objective around independent, high-quality operations, rather than trust.

### G.3 Improved NESO decision making transparency

This is an appropriate and necessary outcome, though it again belongs under an objective focused on operational transparency and governance, not trust. As drafted, it remains subjective and insufficiently defined: what constitutes "transparency" in practice? To be measurable, this outcome requires explicit expectations around, for example, advance notice, publication timeliness, clarity of reasoning, documentation of options considered, and decision-rationale standards.

### G.4 NESO provides a quality, independent role as a Code Administrator for the codes it governs

We agree that this is an important and relevant outcome for NESO1. Code Administration was included as a Success Measure under the *Evolving market frameworks to support decarbonisation, flexibility, innovation and consumer value* outcome as part of the *Enabling Smarter, Cleaner Markets* Performance Objective.

Q16. Do you agree that our proposed Success Measures can suitably identify the extent to which NESO has been successful in achieving the outcomes set?

DD Ofgem Expectation	DD Success Measures	NESO review of DD proposed Success Measures
<b>G.1 NESO has a high degree of stakeholder and customer trust</b>	Development of a Customer Trust Index	We understand that this measure relates to measuring how the trust index is developed during NESO1, and welcome further information on how this would be measured.
	Stakeholder feedback	We understand from the Draft Determinations wording that this is intended to capture notable themes across the Performance Objectives, and we welcome further information on how this would be tracked and measured.
<b>G.2 NESO's plans and strategies provide certainty to stakeholders and ensure NESO can be held to account for quality and efficiency of delivery</b>	We are concerned that incorporating Business Plan measures into NESO1 would, in effect, replicate elements of the business planning and determination process for the next regulatory period, increasing regulatory burden without clear evidence of added value. Notwithstanding this, we make the following points on the Success Measures proposed:	
	Timeliness and quality of NESO Strategy / Strategic	We disagree with the proposal to require the development of a further set of Strategic Aims by December 2026. As outlined in the executive



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	Aims Publication – expected by end 2026	<p>summary to this response, NESO’s Board-approved Strategy and associated Strategic Aims, as set out in the NESO1 Business Plan, are deliberately designed to provide a stable, long-term framework for our activities that also allows all NESO colleagues to understand the individual contribution they need to make to enable NESO to deliver for its stakeholders and consumers. Their development took place over many months and was informed by extensive and structured engagement with industry, as described in our NESO1 submission. The Strategic Aims are intentionally designed to be durable across multiple business plan cycles, rather than revisited at each iteration to ensure that NESO focuses on long term delivery and value creation.</p> <p>We note that the regulatory framework does not require Ofgem to approve NESO’s Strategic Aims, and we consider this appropriate. Strategic Aims are an organisational articulation of long-term direction and intent, rather than a regulatory instrument. Extending regulatory involvement into their formulation or renewal would risk blurring the distinction between strategic leadership and performance regulation. Against this background, we disagree with the proposal to require the development of a further set of Strategic Aims by December 2026, noting that this requirement is disproportionate and will undermine the stability and continuity that the Strategic Aims are intended to provide.</p>
	Timeliness of NESO Business Plan publication	<p>As Ofgem’s Business Plan Guidance requires us to submit our Business Plans to Ofgem by the 15<sup>th</sup> working day of October the year prior to the start of the Business Plan cycle, our view is that this Success Measure is likely to replicate requirements that exist through other instruments.</p>
	Quality of regulatory outcome in Business Plan	<p>We do not agree with this proposed Success Measure. It is unclear how this could result in an objective view of NESO1 performance. As above, we are also concerned that incorporating Business Plan measures into NESO1 would, in effect, replicate elements of the business planning and determination process for the next</p>

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		regulatory period, increasing regulatory burden without clear evidence of added value.
	Stakeholder feedback	We agree with this proposed Success Measure.
	NESO evidence of (broad and timely) stakeholder engagement and having accounted for stakeholder views	As this is a requirement of Ofgem's Business Plan Guidance, our view is that this Success Measure is likely to replicate requirements that exist through other instruments.
<b>G.3 Improved NESO decision making transparency</b>	Number of key milestones in published plans missed without forward communication to stakeholders	Whilst we do not disagree with the principle of this Success Measure, we welcome further detail on how Ofgem proposes to measure this. Without clear definitions of "key milestones", thresholds for "delay", and expectations for forward communication, these measures risk subjective or inconsistent assessment.
	Number of key milestones in published plans delayed	Whilst we do not disagree with the principle of this Success Measure, we welcome further detail on how Ofgem proposes to measure this.
<b>G.4 NESO provides a quality, independent role as a Code Administrator for the codes it governs</b>	CaCOP surveys	<u>Ofgem's Second consultation on the implementation of Energy Code Reform</u> (03 April 2025) outlines the principles and potential role of CACoP under the energy code reform framework. The consultation states:  "2.91. If the decision is taken to proceed with these proposals, we do not consider that the CACoP would be needed under the new framework, and we propose to remove it."  Therefore, it is more appropriate / future proof to have a generic Success Measure called 'relevant performance surveys'
	Stakeholder evidence	We question whether this Success Measure could be combined with the 'CaCOP surveys' Success Measure, as both aim to gather stakeholder feedback and evidence.
	Evidence of SDS prioritisation / alignment	We request further clarity on the role of the incumbent code administrator ahead of Code Manger licencing (e.g. where relevant, measures to evidence SDS prioritisation / alignment ahead of energy code reform / granting of Code Manager licence).

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## Value for Money

Q17. 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?

We recognise the criticality of Ofgem’s role in assessing our Value for Money (VfM) and understand that providing transparency is essential for us as a not-for-profit organisation funded through consumer bills.

We share Ofgem’s objective of ensuring that NESO delivers with strong financial discipline, transparency, and clear VfM for consumers. The NESO1 Business Plan builds from the BP3 baseline, with carefully assessed and Board approved investments in capability and digital delivery, alongside a Board agreed efficiency challenge. We are aware that there is a misalignment between Ofgem and NESO regarding what constitutes an efficient baseline, which has contributed towards Ofgem’s VfM assessment. We intend to continue to work closely with Ofgem, continuing positive discussions to align on a constructive way forward.

Annex 6 reflects a forecast based on the information available at the time of Board approval in October, with clear assumptions and identified areas requiring further development.

Budget setting and in year financial management operate through a clear three-layer governance framework, with accountability from Directors to the CFO and ultimately the Board, reinforced through senior leaders’ performance contracts and consequences for overspend. As we move into the formal budgeting phase within a constrained NESO1 financial envelope, we will draw this together by function to demonstrate management discipline and Board oversight of value and efficiency.

We will continue proportionate monthly reporting to Ofgem, including material variances and governance, but do not consider the additional reporting requirements proposed in the Draft Determinations to be proportionate, as they extend beyond what is necessary to provide regulatory assurance on value for money. Over the term of NESO1 we will undertake a Board-led Zero Baseline Review to ensure a common understanding of the efficiency of our baseline costs.

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### Our NESO1 Forecast

Our NESO1 forecast builds from our BP3 plan baseline. As a provider of continuous, critical system services, we expect to exhibit broadly stable staffing levels year on year, subject to material changes in demand arising from Government policy, Ofgem direction or system needs. Where we have been able to identify with a degree of certainty future material changes to our roles, we have overlaid carefully assessed and board approved additions to our baseline. We have also updated our digital investment programme to support the delivery of our NESO1 Performance Objectives.

We understand the critical importance of driving value for consumers. Therefore, we have included a board-approved stretching efficiency target in our plan. During the NESO1 period, we will develop a framework for driving and tracking efficiency savings. This will include a zero-based review (ZBR) of our cost base, as well as the continued delivery of procurement savings, robust portfolio management, and sound decision-making based on well-justified business cases.

Annex 6 provides a forecast of the internal expenditure NESO expects to incur over the NESO1 period, based on the best information available at the time of board approval in October 2025. For transparency and prudence, it is presented as a high-end estimate, with clearly stated assumptions and exclusions.

### Our forecast baseline

Our baseline for the NESO1 forecast builds from our BP2 business plan. In building from this baseline, we have recognised that NESO is a significantly different organisation than the former Electricity System Operator (ESO) and this is reflected through inclusion of:

- Cost forecasts for new or expanded roles as outlined in our FSO Blueprint, which was developed through regular engagement with Ofgem and BEIS.
- Our budget setting process for FY25, which began to integrate the early thinking from the FSO blueprint into internal departmental budgets with oversight and approval of the board and director accountability for delivery.
- Our BP3 plan and FY26 budget setting process which allowed us to cost our plans with more certainty for new roles such as strategic energy planning and enhanced sector digitalisation. We updated our forecasts with a more informed view of the size and scope of supporting functions which we stood up as we separated from the National Grid group as well as incorporating our latest view of the cost and timing of separation from National Grid systems processes.

Within the financial year, we have robust financial management processes that control spending, ensuring the organisation spends within the Board-approved budget. In summary:

- Budgets are delegated to functions according to the Board-agreed delegation of financial authority.
- Progress is reported and reviewed monthly throughout the organisation and to Ofgem and DESNZ through our Management Information.

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- Functions and directors are held to account through quarterly Finance and Risk Reviews, chaired by the CFO. Any challenges to budgets and headcounts are tested through these reviews. Decisions on changes to budgets are made at the appropriate level. The Board is required to agree any increase to the overall budget.
- Individual director objectives include delivery against delegated budget, and this is also included in the Management Performance Scorecard. Failure to deliver directly impacts management performance related pay.
- Investment programmes are formally sanctioned through the CFO-chaired Sanctioning Committee, assessing option analysis, cost assurance and value for money. Decisions are escalated to the Executive Committee and the Board according to the financial delegations.
- Progress against investments is monitored monthly through the Programme Review Board, chaired by the CFO and attended by all sponsoring directors. This Board reports to the Operations Committee for any changes to the portfolio.

Operation of these mechanisms since the establishment of NESO has enabled us to test and develop our understanding of our budget baseline. This learning has fed into the NESO1 business plan and ensures that it provides a robust baseline with confidence in our delivery of value for money.

### **Our internal budget setting**

Within our governance framework, budgets are formally approved by the Board in Q4, when assumptions on demand, delivery plans and external requirements are materially more certain. Budget approval provides delegated authority to the CEO to incur expenditure in the forthcoming year.

The cost envelope set in the NESO1 plan provides a significant challenge for the organisation. Our business-as-usual cost base must be constrained to the BP3 baseline whilst delivering further efficiency savings. Our internal process provides appropriate levels of challenge through the CFO quarterly finance and risk reviews, our CEO and COO led executive committees and ultimately from our board members through budget workshops and formal board approval. As we prioritise resources across directorates we are continuing to balance economy, efficiency, risk mitigation and outcome delivery. Our internal budget setting process will complete in March for assessment and approval by the board.

### **Next steps**

We will re-publish Annex 6 with our approved FY27 budget numbers which will provide enhanced clarity on spend assumptions and confidence levels. We will provide the justification for operational cost and FTE increases from BP3. This publication will provide transparency of the approach, governance and the board oversight of value and efficiency.

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We understand and recognise the importance of transparency and the role of Ofgem as our economic regulator. During the BP3 period we have been developing proportionate in-period reporting arrangements with Ofgem and remain committed to continuing this engagement through NESO1 to ensure Value for Money assurance is effective and targeted.

Additionally, in line with Ofgem's performance assessment guidance, we will continue to publish 6-monthly value for money reports explaining material variances from our NESO1 plan, key decisions we have made and ways in which we are delivering value for money for consumers. In our view, these reporting arrangements should satisfy the requirement for regulatory assurance on Value for Money. In our view some of the additional reporting requirements proposed appear disproportionate in frequency and granularity relative to NESO's size, operating model and cost structure extending into areas of internal management and governance without a clearly articulated regulatory justification. They would require us to set up further reporting structure beyond those required for effective governance of the organisation and we do not believe that they are required.

Set out below is the suite of material we will provide to Ofgem to ensure we provide robust justification of our operational costs and FTE, demonstrate effective governance and decision making, and transparent performance and financial reporting.

This is all aligned to a 31 May 2026 deadline to re-publish Appendix 6 to the business plan, whilst also supporting the BP3 end of scheme assessment due mid-May.

Item	Definition	Objective
<b>Plan on a page</b>	A single-page summary outlining the work to 31 May and publication of revised appendices.	Provide a clear view of timelines, deliverables, and sequencing to remove ambiguity and create certainty over upcoming outputs.
<b>Simple cost trace</b>	Total costs from FY24-FY27	Indication of information to provide in the revise Appendix 6.
<b>40 x cost base deep dives</b>	Single page summaries of specific functions and sub-functions and/or examples of where we have delivered value for money.	Improve transparency on resource allocation and how each area supports NESO outcomes, while evidencing growth since BP2 and rationale for changes in support of the BP3 end of scheme assessment.  <b>This is a one-off exercise to bridge the gap since the FSO.</b>
<b>Sanction Papers</b>	Governance papers for OBP, AI, OSA, RNP.	Demonstrate how decisions are taken, showing the quality, alignment, and robustness of NESO's formal governance process in support of both the business plan determination process and BP3 end of scheme assessment.

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		<b>Anticipate cyclical provision as evidence of ongoing operation.</b>
<b>Appendix 6</b>	Updated NESO1 publication.	Provide deeper explanation of movements from BP3 and outline governance and decision-making undertaken to operate the business effectively in support of the business plan determinations.
<b>New Appendix 6 section</b>	Cost traces from FY24-FY27	Providing transparency over the growth and drives of change to the cost base of NESO.
<b>New Investment Appendix</b>	Annex to DD&T Appendix	Explain the value delivered by planned investments and strengthen the narrative on cost-benefit and alignment to strategic outcomes in support of the business plan determination process.
<b>Business Performance Review</b>	Performance dashboards covering BP3 strategic measures and KPIs.	Provide a regular cadence of progress reporting and assurance against the business plan, building a “no surprises” framework and supporting organisational understanding in support of ongoing VfM assurance and regulatory relationship.  <b>Ongoing regulator partnering on assurance.</b>
<b>Financial / Operational Performance</b>	Monthly finance and operational update including budget, variance analysis, commentary, major procurements, sanctioned investments, and cost-optimisation examples.	Use established business management information to evidence ongoing plan execution and demonstrate how NESO actively manages financial and operational performance in support of ongoing VfM assurance and regulatory relationship.  <b>Ongoing regulator partnering on assurance.</b>



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## Reporting Requirements

Q18. Do you agree that NESO should continue to report against these metrics?

As we noted in our response to Ofgem’s consultation on the implementation of NESO’s enduring regulatory framework, the overall reporting requirements for NESO1 remain largely unchanged from BP3. This includes the continued reporting of Reported Metrics. While we recognise how vital transparency is, it’s just as important to ensure our information has the right level of detail and meaningful value for Ofgem and wider industry. We feel that NESO1 is an ideal opportunity to fully review the suite of Reported Metrics. Our aim is to shape an updated set of metrics that truly add value and avoid duplication with Success Measures.

We consider that Ofgem’s proposed suite of Reported Metrics and associated reporting requirements require further clarification and consideration to prevent potential overlap and confusion with Success Measures.

According to the ‘Draft NESO performance arrangements governance document’ (PAGD), Success Measures are to be reported every quarter as part of the ‘Performance Outcomes Progress Reports’. Therefore, in principle, we believe that it is only appropriate to use a Reported Metric to provide additional accountability and apply supplementary reputational incentives in cases where either:

- There is a need for a Success Measure to be reported more frequently than quarterly, as it is important for this particular information to be shared with industry more regularly; or
- A particular metric is important for industry transparency, but is not a Success Measure, and therefore would not otherwise be reported under the PAGD reporting requirements.

Where a Success Measure is also proposed as a Reported Metric (and quarterly or less frequent reporting is appropriate), we have assumed that it should not be reported twice as this adds unnecessary duplication and potentially confusion within the reporting framework. We would like this to be clarified and made clearer in the Final Determinations.

In line with the above principles, and based on the current proposed Success Measures, our proposed reporting of Reported Metrics falls into two categories as follows:

1. Success Measures that should be reported more frequently than quarterly, as it is important for this particular information to be shared with industry more regularly:

Reported metric	Frequency	Success Measure
Balancing costs	Monthly	Yes – B.1
Dispatch efficiency (skip rates)	Monthly	Yes – B.1
Security of Supply	Monthly	Yes – B.1
CNI outages	Monthly	Yes – B.1

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2. Metrics that are important for industry transparency but are not proposed by NESO or Ofgem as Success Measures:

Reported metric	Frequency	Success Measure
<b>Savings from TO collaboration</b>	Annual	No
<b>EMR demand forecasting accuracy</b>	Annual	No

Any additional Reported Metrics should go through a robust assessment exercise to ensure they truly add value to our reporting for industry.

We note that Ofgem have proposed that the Wind and Demand forecasting metrics are to be reported monthly. We believe quarterly reporting is appropriate for industry to track trends on the accuracy of these forecasts. We also publish monthly day-ahead forecasts on the NESO Data Portal, and the monthly forecasts are also published on MBRS. Therefore, we propose these metrics are reported as Success Measures on a quarterly basis and are not duplicated as Reported Metrics.

We will continue to collaborate with Ofgem to finalise the suite of Reported Metrics prior to Final Determinations and will work with Ofgem to ensure Reported Metrics are easy for our customers to access and give the appropriate amount of detail. Some Reported Metrics may be better suited for publication outside our regulatory reports on more relevant areas of our website. In these cases, we would reference where to find this information in our regulatory reporting. We have discussed this with Ofgem and request that this option is clearly stated in the Final Determinations.

**Q19. Are there any additional metrics you would like NESO to regularly report against?**

Subject to the feedback we have provided in our response, we believe the proposed Success Measures and Reported Metrics offer sufficient coverage and transparency for NESO's activities; no additional metrics are suggested.

Public

## **Innovation**

Q20. Do you agree with the proposed level of innovation funding for NESO?

**NESO response:**

We are pleased that Ofgem has approved the full funding included as part of NESO1.