

To: NESOregulation@ofgem.gov.uk

11 March 2026

National Gas Transmission's NESO1 Business Plan Draft Determinations Response

Dear Sir/Madam,

Thank you for the opportunity to review and comment on the NESO 1 Business Plan Draft Determination. We offer this written response that provides both context and meaning to the direct questions answered below in the appendix. This letter is non-confidential and can be published.

National Gas Transmission (NGT) is responsible for the planning, design, development and operation of the physical infrastructure of the National Transmission System (NTS), ensuring that it is safe, reliable and economically and efficiently operated. This includes meeting our obligations and delivering the services and undertaking necessary long-term investment to maintain the reliability of the network for our customers. In addition, we lead on necessary market framework changes to underpin the efficient functioning of the NTS. NGT also acts as the System Operator, overseeing the 24/7 operation of the NTS, balancing supply and demand in real time and providing capacity and operational flexibility to support the economic and efficient functioning of the gas market in Great Britain (GB).

Gas and the NTS have a key role to play in the secure and affordable transmission of energy to consumers up to and beyond 2050. There will be an essential and enduring role for gas, including in the power sector, for decades to come. The role of gas is evolving to fulfil a crucial "strategic reserve" for power generation, as well as continuing to be the primary energy source for elements such as domestic heating in the medium-term.

NGT works proactively with NESO collaborating in a number of key areas such as security of supply, network resilience, markets and long-term planning with licence obligations and bilateral arrangements and agreements, working with them to deliver on the Government's decarbonisation goals. As such, as a key stakeholder, we believe we are well placed to comment on the draft determination for NESO's business plan.

NESO are a new organisation with new and wide-ranging obligations through new roles and licence conditions etc. They have grown significantly since coming into operation in late 2024 and continue to evolve as an organisation and a significant industry stakeholder for all parties. They are leading on a number of key areas for Government, not least the transition to Net Zero, whilst establishing complex processes to plan a way to this goal and looking to maintain system security. Whilst they have made significant progress there is still some way to go for them to be

fully established and to deliver on their obligations; as an example, they are just starting the first of their three yearly cycles for energy system planning through SSEP/CSNP/RESP. We recognise the challenge that this presents to NESO and we continue to offer them our support and input, working proactively with them in these early stages of their development.

We recognise the importance of setting clear strategic and performance related objectives for NESO's business plan. These objectives must ensure performance for NESO's Electricity System Operator Licence, Gas System Planner Licence and whole system planning commitments. We agree that the Ofgem expectations defined for the seven (A-G) performance objectives take account of NESO's whole system planning obligations in this business plan period. However, we believe the success measures focus too heavily on NESO's Electricity System Operator function and need to take full account of their gas and hydrogen obligations. As an example, in performance objective A.3, the success measures only relate to electricity e.g. BUSoS forecast accuracy. We would suggest an entirely separate performance objective on whole system that clearly indicates NESO's duty to demonstrably and equally consider other energy vectors and its commitment, and in some cases the obligation, to do so.

NESO has an obligation to be the Whole Energy System planner; however, we feel their position as the Electricity System Operator (ESO) means that they are too often pulled or driven to over emphasise and focus on the needs and the position of the electricity system. This is to the detriment of other vectors such as natural gas, hydrogen and bio-energy. We would recommend the business plan makes more distinction between the different energy vectors and the deliverables for them and makes clear the distinctions between NESO's operational activities on the electricity transmission system, and the rest of their business/obligations.

Overall, we think the draft determination is measured, appropriate and establishes an appropriate direction for NESO over the duration of their next Business Plan period. However, we do feel improvements can be made so that the success measures are more appropriate for whole system objectives, including the balance of their priorities and focus areas across all energy vectors.

If there is opportunity, we would like to work with Ofgem and NESO to further develop the metrics of the business plan. To facilitate this please do not hesitate to contact Paul Sullivan ([paul.j.sullivan@nationalgas.com](mailto:paul.j.sullivan@nationalgas.com)) Head of System Capability and Risk, or Liz Ferry ([elizabeth.ferry@nationalgas.com](mailto:elizabeth.ferry@nationalgas.com)) Head of Market Change.

Yours faithfully,



Glenn Bryn-Jacobsen  
Director, Energy Systems & Resilience

## **Appendix: Responses to specific questions**

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?

Answer: Yes, if our recommendations specified above are made, including the separation of NESO's ESO related objectives from their whole system objectives.

### **Performance objective A: - 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?

A: We would recommend that the drafting of the objectives is clarified so that they objectively apply to the energy system as a whole and are not only applicable to electricity. It is difficult to distinguish currently.

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

A: The success measures are predominantly electricity focused. While we understand and appreciate that this is a critical element of NESO's role, success measures also need to be included which appropriately relate to their whole energy system planner commitments. The distinction between these two areas of commitment also needs to be made clear to support signals to industry on when NESO is undertaking activities associated with each role.

### **Performance objective B: - 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?

A: We consider that the business plan should include objectives and major deliverables associated with the interactions between gas and electricity systems during periods of system stress, this is a key industry safety and security measure.

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.

A: NGT supports ongoing joint work with NESO to improve gas and electricity interactions in periods of system stress to protect consumers. NGT views this as a priority for NESO in the next two years and would encourage the inclusion of success measures that reflect this.

### **Performance objective C: - Enabling cleaner, smarter markets**

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

A: The objective could be read to suggest that NESO is accountable for operating the markets across all energy vectors, but this is not the case. NESO is only accountable for the operation of the electricity market and associated framework. We would like to see a specific gas, and possibly hydrogen sections set out for this objective as it could lead to ambiguity in NESO and/or the industry's understanding of their roles and responsibilities.

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.

A: We consider this is an area where it may be useful for the objectives and/or measures to be separate for electricity, gas, hydrogen, whole system etc. Industry stakeholders, including National Gas, have equally key roles in these other vectors, and the current wording implies for instance that NESO have greater accountability in gas, than they have in actuality. The success measures could then be very specific to each area of the industry.

**Performance Objective D: - 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?

A: Yes.

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.

A: We would advocate for an additional success measure to measure incremental progress towards the Clean Power 2030 (CP30) objective and the consequences of doing so.

**Performance Objective E: - 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?

A: The current set of expectations is primarily focused on electricity rather than supporting resilience enhancement across the whole energy system. NGT would encourage Ofgem and NESO to consider a more holistic set of expectations for driving this necessary and beneficial objective.

We are unclear from the business plan what NESO's overall responsibility for whole system resilience is for this period and would welcome further clarity for all industry participants.

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.

A: The measures listed are primarily based on electricity failures, and there is no inclusion of success measures related to reporting of the resilience that is supplied on a continuous basis by the natural gas system. This would provide a clearer understanding to industry and consumers of the role that molecules play in the whole energy system.

It is also important that the success measures reflect whole system activities. Industry would also benefit from further sharing of the insights NESO is developing around whole energy system resilience and a success measure related to the appropriate sharing of information to inform and support industry would be beneficial.

We agree with Ofgem and NESO that in NESO's ESO-specific objectives they should prioritise continuing to meet the ESRS (electricity system restoration standard) and we are directly supporting them in the work they are delivering to do so.

**Performance Objective F: - 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?

A: Yes.

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.

A: We think the success measures are sufficient.

**Performance Objective G: - 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?

A: Yes.

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.

A: We believe there needs to be a definition of customers and stakeholders in objective G.1 to provide a distinction on the type of interaction NESO has. There are some elements of our work with NESO where we are a customer and some where we are a stakeholder.

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?

A: Yes, though we would go further and say NESO should publish all stakeholder feedback when the stakeholder has given permission, along with NESO's reasoning for following the feedback or not.

**5. 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?

A: No response.

**6. Reporting Requirements**

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

A: As far as we are aware, all these metrics seem to be related to electricity.

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

A: We would like to see additional metrics based on NESO's advisory role for whole system energy planning, such as for stakeholder engagement.

## **7. Innovation**

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

A: NGT supports the strategic direction, activities and proposed levels of funding at £95m as outlined in the NESO1 Business Plan.

We agree with NESO's six innovation priority areas and see particular opportunities for collaboration with NGT in the areas of digitalisation and AI, system security and resilience and whole systems integration. We are pleased to see that these topics are also prioritised with ~2/3 of the total anticipated NIA funding spend, split 30%, 20%, 15% respectively.

#### **NIA**

Throughout RIIO-2, NGT has actively collaborated with NESO through the Network Innovation Allowance on projects such as GETIO (Gas and electricity transmission infrastructure outlook), FastPress, Virtual Energy System – Common Framework Demonstrator and Hydrogen Production for Thermal Electricity Constraints Management.

Considering Ofgem's recent draft determination, we are currently engaged in dialogue with NESO to ensure appropriate alignment of innovation strategies across NGT and NESO. We have strategy sessions organised between both teams to identify and brainstorm on opportunities to collaborate to build the correct prioritisation of projects for FY27 and T3.

#### **SIF**

Throughout RIIO-2, NGT has actively collaborated with NESO through the Strategic Innovation Fund on projects such as Powering Wales Renewably (PWR), Network Security in a Quantum Future, Scenarios for Extreme Events, Virtual Energy System and Probabilistic Pathways for Energy System Planning.

Looking forward we are supporting NESO's Round 5 Beta applications for FastPress – Modelling tool to improve long-term gas transmission network planning and Network Security in a Quantum Future (NSiaQF). We also anticipate NESO's support and collaboration for NGT's Beta application FOGSI – Future Operability of Gas for System Integration in the next Round 6 application cycle.

#### **SIF Governance Changes**

As previously mentioned in feedback to Ofgem, we do have some concerns about the requirement for NESO to be a formal partner on all 'whole-systems' projects. Whilst we understand the rationale and agree with the importance of alignment, we are concerned it may inhibit important 'whole-systems' innovation at NGT, particularly if NESO are unable to allocate sufficient resources.

With relation to the 'multi vector solutions' support, it appears NESO have been enabled to do future of gas (hydrogen & carbon) research programmes which we are in full support of. According to our governance documentation, we as a transmission network have been directed to not utilise NIA/SIF Funding to do any projects in this space until a policy decision is provided from DESNZ. We would ask for clarification on whether we could partner on these important projects.

END