

Draft Determinations on NESO 1 Business Plan

National Grid response

This response to Ofgem's "Draft Determinations on NESO 1 Business Plan" dated 10 February 2026 (the Consultation) is from National Grid plc (NG). This response incorporates the perspectives of National Grid Ventures (NGV), National Grid Electricity Transmission plc (NGET) and National Grid Electricity Distribution (NGED).

Executive Summary

We welcome Ofgem's draft determination on National Energy System Operator's (NESO) business plan. We agree that the performance objectives within the business plan appropriately capture the breadth of NESO's activities across 2026-2028 and recognise that the plan represents a significant amount of work for NESO to deliver. It's important that the plan demonstrates how NESO has and will continue to balance ambition and deliverability over the next two years. We think the business plan needs to better set out how NESO has prioritised activities and how it will continue to do so during delivery.

The baseline that NESO's performance will be measured against is unclear and NESO should republish the business plan, bringing together NESO and Ofgem's requirements in a single place. We welcome that Ofgem has worked with NESO to reframe the impact pathways, identify success measures and include an additional performance objective on how NESO will deliver. These are helpful amendments that provide clarity on NESO's expected deliverables and how performance will be assessed. However, with Ofgem expectations set out in the determination document, separate to NESO's business plan, there is no single source of NESO's performance objectives, deliverables, success measures and metrics. As a result, it is difficult to understand the scope of the business plan NESO will be delivering and be able track NESO's performance. Therefore, following final determination, NESO should republish its business plan as a clear baseline for industry to understand what it will be delivering across the 2026-2028 period.

NESO should be required to consult on a draft business plan to allow industry to transparently and fairly shape the business plan. Providing stakeholders with the opportunity to give feedback, and to understand how that feedback is reflected in the final plan, is essential for building confidence that NESO is prioritising activities that deliver against its statutory duties and best outcomes for consumers. Whilst NESO undertook a Call for Input in summer 2025, it is challenging to see how this feedback has been incorporated into the plan. Further, publishing a draft business plan would have allowed industry to provide critical challenge on the performance objectives, deliverables, delivery dates and success measures ahead of Ofgem's draft determination. Thus, for subsequent business plans, NESO should publish a draft for industry consultation ahead of a final version.

NESO's business plan needs to clearly set out how they are delivering across performance objectives. Many of NESO's activities within the business plan are cross-cutting and this will require NESO to carefully manage the interdependencies between activities. For example, the connection reform outputs are a critical input into system access reform and strategic energy planning activities. As currently drafted, the business plan does not detail how NESO is going to work as one organisation to manage these interfaces. Whilst we welcome the additional performance objective that focuses on how NESO will deliver the business plan, we think this needs to go further. To give industry greater confidence of holistic delivery, the new performance objective should capture how NESO works as a single, integrated organisation across the performance objectives, effectively managing the interdependencies and sequencing across work areas and ensuring consistency in their delivery and engagement approaches. Further, in developing the success measures, we'd encourage NESO, and Ofgem, to identify where the success measures contribute to multiple performance objectives and intended outcomes.

Deliverables

We agree that too many of the deliverables are stated for delivery by March 2028 and the plan should include interim milestones. Whilst we recognise that NESO are delivering several activities as part of longer term programmes, such as energy market reform and strategic energy planning, they will be laying the foundations for these deliverables through the business plan period. For example, the Centralised Strategic Network Plan (CSNP) will be delivered by the

end of 2028 but a significant proportion of the CSNPs' development will need to occur within this business plan period in order to achieve the 2028 deadline. With either milestones set for the end of the business plan period or just beyond, it will be difficult to track NESO's performance during delivery. We recommend that interim milestones are included within the business plan; for the CSNP example, we suggest the following milestones are added: system needs publication and draft CSNP consultation publication.

The business plan should include lessons learnt deliverables in key reform areas. In several areas, NESO are delivering key reforms or new activities. For these activities, the business plan should include lessons learnt deliverables, requiring NESO to undertake their own lessons learnt assessment as well as industry engagement on how these activities were delivered and where improvements are required. NESO should subsequently evidence how they are incorporating these lessons learnt into subsequent iterations of these activities; this is particularly critical for connections reform, system access reform and strategic energy planning activities.

Success measures

We support Ofgem's approach to refining and streamlining the success measures, noting that further work is needed to make them measurable and focussed on the most important areas of delivery. We have suggested amendments and additions to the success measures under each performance objective in response to the detailed questions. More broadly, it is essential that success measures evaluate, firstly, the quality of NESO's performance and the outcomes delivered, and secondly, the timeliness of delivery. In designing the measures, we encourage Ofgem and NESO to ensure that the success measures reflect the overarching outcomes that NESO is required to deliver, for example measuring the activities they are delivering to bring long term system costs down. Further, for several of the proposed success measures, it is not clear what they intend to assess. These measures should therefore be reframed to clearly specify how NESO's performance will be evaluated. For example, 'System Management and Disturbances' under '*B.1 NESO initiatives retain or improve system reliability standards while reducing costs of system balancing*' and 'Queue composition/size' under '*D.2 The electricity connection queue is effectively managed*' should be reframed to reflect the quality of NESO's performance and the outcome they are trying to achieve. Finally, for each success measure, there needs to be a clear baseline to measure performance against.

To effectively measure NESO's performance, success measures need to be within NESO's control. We are concerned that some proposed success measures are not within NESO's control and therefore will not be able to effectively measure NESO's performance. The success measures need to be appropriately bound to the activities and outcomes that NESO is delivering; specifically, where delivery involves multiple organisations, the measure should apply solely to NESO's specific contributions. For example, the success measure of 'appropriate level of market interest at relevant stages' under '*A.4 Greater competition and innovation in network development*'. In this example, it is within NESO's remit to ensure that they are preparing the relevant information for each tender stage and sufficiently promote industry events to attract market interest. However, it is not within their control how industry responds at each stage. We encourage Ofgem to review the success measures to ensure that they appropriately represent activities within NESO's control, particularly when there are other actors who have a role in delivering successful outcomes.

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?

We agree with Ofgem's assessment that the performance objectives capture the breadth of NESO's activities within the business plan period. We welcome the addition of the new objective as the original six capture the activities NESO will deliver, whilst the new performance objective will measure how they will deliver, which is fundamental to ensuring industry trust.

Within the business plan, we would have liked to have seen detail on how NESO will work as an integrated organisation to deliver across these objectives recognising the crosscutting interdependences. For example, the connection reform outputs under the *Delivering a Decarbonised, Operable Grid* performance objective are a critical input into system access reform and strategic energy planning activities, which are captured under separate performance objectives (*Operating an Intelligent, Real-time Grid* and *Planning a Clean Energy Future* respectively). As the business plan is currently structured, it lacks sufficient detail on how NESO will ensure holistic and consistent delivery across the entirety of its plan.

Whilst we agree with the performance objectives, we think that NESO should consult on a draft business plan to enable industry to shape these priorities and ensure they are focussed on the delivering their statutory outcomes and best outcomes for consumers. We think that the structure of the business plan could have provided better line of sight between the strategic aims, performance objectives, deliverables and success measure. Further, we would have liked to have seen detail on how NESO prioritised its activities within these performance objectives to ensure they are delivering the best outcomes for consumers.

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

We partially agree with the expectations for this performance objective. We do not think that 'A.3 *Investors show increased confidence in the energy market, supported by clear, stable market rules*' sits within this performance objective. Whilst we are not fully clear on what is meant by this expectation, we think it would sit better under the new objective which is focussed on how NESO will deliver. Further, whilst we agree with the expectation of 'A.2 *Improved signals result in a pipeline of investments well-aligned to future system needs*,' we think that this could be clearer in bounding this outcome to network investments aligned to future system needs.

Similar to Ofgem, we recognise that this performance objective will lay the foundations for deliverables outside of this business plan period, notably CSNP and RESP deliverables in late 2028. For this reason, interim milestones should be included in the business plan, and the success measures need to be updated to reflect this. We have included comments on the success measures in question 3.

We agree that under this performance objective, NESO need to build their capability to effectively manage and clearly articulate the trade-offs within their strategic energy planning outputs; this will be essential for industry to have confidence in these deliverables. Further, given the three-year cycle of strategic energy planning, we think that the NESO business plan should include a lessons learnt deliverable, with industry consulted, to inform the second iteration of these activities.

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

We have the following comments on the proposed success measures:

| Outcome | Success measures | Comments |
|--|--|---|
| A.1 Improved coordination in network planning and development | <ul style="list-style-type: none">• Participation and representation across societal, environmental, geospatial, and advisory groups;• Endorsement of plans by established governance;• Number and quality of SEP datasets provided. | <p>We have the following suggestions to enhance the performance reporting under this performance objective:</p> <ul style="list-style-type: none">• Effective governance arrangements and ways of working for SEP boards and groups, particularly for RESP activities.• Publication of independent outputs endorsed by stakeholders which clearly surfaces the trade-offs that have been considered,• Timely and transparent publication of quality SEP datasets, |

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| A.2 Improved signals result in a pipeline of investments well-aligned to future system | Alignment of investment pipeline to NESO needs identification. | This measure should be clarified to confirm this is limited to network investment and does not include generation investments recommended by SSEP. |
| A.3 Investors show increased confidence in the energy market, supported by clear, stable market rules. | <ul style="list-style-type: none"> Percentage track to milestones set in roadmaps / strategies Number and quality of Stakeholder engagements | Is it not clear which roadmaps/ strategies and stakeholder engagement events are being referred to in these success measures. |
| | <ul style="list-style-type: none"> BUSoS forecast accuracy; TNUoS forecast accuracy; Number of billing delays, e.g. due to system issues. | Whilst these appear to be reasonable success measures, we do not think that they sit best under this performance objective and should be considered under performance objective C ' <i>Enabling Smarter, Cleaner Markets</i> '. |
| A.4 Greater competition and innovation in network development. | <ul style="list-style-type: none"> Number and quality / fit of potential projects for competitive delivery identified Appropriate level of market interest at relevant stages | <p>We are think these success measures should be refocussed on activities and deliverables within NESO's control. For example, it is within NESO's remit to ensure they prepare the necessary information for each tender stage and host successful industry events. However, the extent to which industry engages at each stage is outside NESO's control. Therefore, Ofgem should work with NESO to reframe these success measures.</p> <p>Further, success measures need to be designed to have a clear baseline to measure performance; for the example it is not clear what 'appropriate level of market interest' would be and who this would be determined by.</p> |

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

We agree that this sets a comprehensive set of Ofgem Expectations for the *Operating an Intelligent Real-Time Grid* performance objective. The emphasis on reducing balancing costs is welcome and reflects NESO's central role in supporting more efficient dispatch and deploying the range of tools it has, to support a reduction in balancing costs. A clear success measure on balancing costs will help to strengthen the incentive on NESO to reduce balancing costs, where performance against this metric will be considered as part of NESO's performance related pay. We welcome the focus on outage management, with System Access Reform a key activity for the next business plan period. Improving System Access will have significant benefits across the value chain unlocking infrastructure delivery and supporting connection of both generation and demand.

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.

We have the following comments on the proposed success measures:

| Outcome | Success measures | Comments |
|---|--|---|
| B.1 NESO initiatives retain or improve system reliability standards while reducing costs of system balancing. | <ul style="list-style-type: none"> Dispatch Efficiency (including skip rates); System Management and Disturbances; Aggregated cost savings by NESO initiatives; Balancing costs. | The success measures should specifically call out the use of novel and innovative approaches to reducing constraints and supporting increased system access. |
| B.4 Outages are managed proactively and efficiently, with their impact minimised. | <ul style="list-style-type: none"> System availability; System reliability; Changes planned to outages. | To further support System Access Reform, we would welcome an additional measure to capture the importance of a joint and agreed understanding of what system access is required |

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| | | for CP2030 and demand connections. Delivery of system access should be measured against this common baseline. |
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Q6. Do you agree that this sets a comprehensive set of Ofgem Expectations for the Enabling Smarter, Cleaner Markets performance objective?

We do not agree that this sets a comprehensive set of Ofgem Expectations for the *Enabling Smarter, Cleaner Markets* performance objective. NESO's role as code administrator should be included in this performance objective given the significant interaction between industry codes and effective operation of the market. As such, Success Measure G.4 should be included under this performance objective as C.3. We welcome the acknowledgement that markets have a direct impact on balancing costs, and that NESO should be using the levers available to ensure that they are lower than would otherwise be the case.

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.

We have the following comments on the proposed success measures:

| Outcome | Success measures | Comments |
|--|---|--|
| C.1 Market design and operation encourages innovation and efficient market participation. | <ul style="list-style-type: none"> Market liquidity (Settlement period average % over/undersupplied) - across all markets; Average cost of NESO procurement; Profile of provider types (inc new provider types); BM registration timelines. | <p>We have the following suggestions to enhance the performance reporting under this performance objective:</p> <ul style="list-style-type: none"> Further insight into performance of NESO with regards to this performance objective could be gained by measuring the level of Demand Side Response and participation in flex markets. This should focus on NESO activity enabling more participation than would otherwise be the case. To realise success in this area, NESO will need to collaborate closely with DSOs and the Market Facilitator. A measure of engagement with these key stakeholders should be included. |
| G.4 NESO provides a quality, independent role as a Code Administrator for the codes it governs. | <ul style="list-style-type: none"> CaCOP surveys; Stakeholder evidence; Evidence of SDS prioritisation / alignment. | This success measure should be included under the <i>Enabling Smarter, Cleaner Markets</i> performance objective. It should also include a measure of timeliness for consideration and implementation of changes. |

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

We do not agree with the expectations that have been set out under this performance objective. As currently drafted, we feel that the expectations are focussed on implementing the immediate activities for connections reform and does not reflect the activities that NESO will need to undertake to implement the enduring approach. As a result, we think that this performance objective needs to also consider how NESO will deliver the subsequent connection window activities including any activities from the outcomes of Connections End-to-End Review and Demand Connections Reform Call for Input.

Further, whilst Ofgem acknowledge that NESO's business plan did not fully explain how they will lead at the transmission and distribution connections interface, this is not reflected in the identified outcomes; as acknowledged within question 9, we think this is a critical area where NESO performance should be assessed. The importance of close working between NESO, developers and network operators in the connections space cannot be underestimated and we think this should be measured within the new performance objective.

We welcome Ofgem's recognition that the development of policy for innovative low carbon solutions such as multi-purpose interconnectors (MPIs) plays an important role in supporting the delivery of an operable decarbonised grid. We agree that, as an independent expert, NESO can support with analysis and insights to help integrate these technologies

into the GB system. Engaging with relevant parties will be critical for this work, to ensure frameworks and processes are effective to enable coordinated delivery by project developers and European partners.

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

As mentioned in our response to question three, it is critical that NESO's success measures under this performance objective are appropriately bound to the activities within NESO's control and are reflective of roles and responsibilities in the connection space. Further, they must focus on the timeliness and quality of NESO's activities.

We have the following comments on the proposed success measures:

| Outcome | Success measures | Comments |
|---|---|--|
| D1. Faster connection times, shorter queues, and lower administrative burden for prospective connectees to the electricity network. | <ul style="list-style-type: none"> • Connections offer timing • Number of right-first-time connection offers • Shorter connection dates offered; • Connections queue of G2 shorter / more aligned; • Administrative burden of process; • Connection Portal experience feedback. | <p>It is not clear how NESO's performance will be assessed against these success measures. We think the success measures should be reframed to focus on meeting customers' needs, which goes beyond timeliness of connection offers to include certainty of the connection offer date. For example, the success measure could be reframed as 'quality and robust connection dates offered'.</p> <p>Further, these success measures needed to be designed in the context of the outcomes of the Connections End-to-End Review and Demand Connections Reform Call for Input.</p> <p>We think that the new performance objective's success measures must capture the quality of the general ways of working between the NESO and the network companies, including within the connections space.</p> |
| D2. The electricity connection queue is actively and effectively managed. | <ul style="list-style-type: none"> • Queue composition / size • Milestone tracking | <p>It is not clear what these success measures will cover and how NESO's performance will be assessed. Success measures should be focussed on assessing NESO's performance of implementing DESNZ and Ofgem's policy objectives.</p> <p>As acknowledged by Ofgem, NESO are likely to be supporting DESNZ and Ofgem in implementing demand reform. Once NESO's remit within this space is confirmed, appropriate success measures should be added to measure performance in this space.</p> |

In addition to the above, we would like to see the following success measures included in this performance objective:

- Number of missed milestones; this should include offers not being produced on time or the next Connections Reform window not opening when expected.
- Timely sharing of information with network operators; this should include 1) early sight of proposals to change any of the codes/methodologies in relation to connections and 2) early communication of any delivery timeline changes to network operators ahead of wider connections communications.

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

We agree that this sets a comprehensive set of Ofgem Expectations for the *Driving Whole-System Resilience* performance objective.

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 have no specific comments on the proposed success measures for this performance objective.

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 that this sets a comprehensive set of Ofgem Expectations for the *Building a Digitally Connected Energy System* performance objective.

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

We have the following comments on the proposed success measures:

| Outcome | Success measures | Comments |
|--|--|--|
| F.1 NESO and industry have access to complete, usable, useful data. | <ul style="list-style-type: none"> • Number of data requests; • Number of requests met; • Number of reduced manual data intake; • Number of users; • Demand Forecasting Accuracy; • Wind Forecasting Accuracy; • Number of additional data sets provided. | Clarity is required on the reasoning behind the success measures relating to data requests – it is not clear why volume is important. In terms of the data requests met, a percentage figure would give a clearer indication of success. We suggest that the number of users success measure is clarified to record the 'number of active users of the NESO open data portal'. In addition to the number of additional datasets provided, details of updated datasets should also be recorded and reported on. |
| F.2 Secure and standardised data exchange is established. | <ul style="list-style-type: none"> • Number of reduced data interfaces; Percentage of time data is available to industry; • Average time/experience of onboarding to DSI; • Number of uses | For greater insight, the number of reduced data interfaces should be reported as a percentage reduction, thus demonstrating a streamlined user experience. NESO should also report on the percentage of onboarded participant organisations actively using DSI for data exchange without security breaches. |

Q14. Do you agree with our proposal to include this additional performance objective for NESO?

We agree with the addition of the additional performance objective. As performance objectives A to F are focussed on 'what' NESO will be delivering, we think that it is appropriate to have a performance objective that is focussed on 'how' NESO will deliver. How NESO delivers is just as important as the activities itself as this underpins industry confidence in NESO as a trusted independent organisation. Further, this performance objective should measure how NESO delivers as a whole organisation recognising the interactions and dependencies between many of NESO's activities; for example, connections reform is a key input into System Access Reform and strategic energy planning.

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.

Whilst we welcome the additional performance objective, we do not think that the outcomes proposed are clear and comprehensive. This performance objective should focus on how NESO delivers as one organisation; therefore, as noted within our response to question 6, G.4 '*NESO provides a quality, independent role as a Code Administrator for the codes it governs.*' should be included under performance objective C.

We think the outcomes in this performance objective should cover:

- **Independence:** how they present a strong public presence that demonstrates their independence, builds enduring trust across the energy system and surfaces the trade-offs to inform decision making.
- **Customer and stakeholder engagement:** how they will engage openly, collaboratively and consistently across their outputs.
- **People:** how they will develop and maintain a right-sized workforce that delivers high quality and timely deliverables.

It should also measure how NESO prioritises its activities to deliver best outcomes for consumers. As currently drafted, we think Ofgem's expectations do not sufficiently capture the three outcomes we have outlined above and should be reframed.

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?

We have the following comments on the proposed success measures:

| Outcome | Success measures | Comments |
|--|--|---|
| 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. | <ul style="list-style-type: none"> Stakeholder feedback; NESO evidence of (broad and timely) stakeholder engagement and having accounted for stakeholder views. | These measures should focus on quality and ambition as the primary measure, with timeliness as a secondary measure. |
| | <ul style="list-style-type: none"> Timeliness and quality of NESO Strategy / Strategic Aims Publication – expected by end 2026; Timeliness of NESO Business Plan publication; Quality of regulatory outcome in Business Plan; | We do not think these should be included as success measures. |
| G.3 Improved NESO decision making transparency | <ul style="list-style-type: none"> Number of key milestones in published plans missed without forward communication to stakeholders; Number of key milestones in published plans delayed. | This should cover all milestones, not just key milestones. As noted within our Executive Summary, too many deliverables have dates for March 2028 and without interim milestones being added, it is unclear how these success measures can measure performance throughout the business plan period. |
| G.4 NESO provides a quality, independent role as a Code Administrator for the codes it governs. | Should be included in performance objective C. | |

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?

Ensuring that NESO operates in an efficient manner is important; however, the value NESO can realise through successful delivery of its performance objectives and strategic aims will far outweigh the costs it incurs in doing so. Ofgem must ensure a proportionate balance of ensuring efficient spending, without limiting NESO's ability to deliver. Ofgem should consider carefully the benefit of requiring additional reporting in the interim period between the start of the Business Plan period and publication of the republished Cost Narrative.

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

We agree that NESO should continue to report against the metrics listed in Section 6 of the consultation. The metrics should be kept under review throughout the business plan period. Where stakeholder feedback suggests that reporting against a new metric is valuable, or there is an area where more frequent reporting would be helpful, this should be considered on an ongoing basis and can form part of NESO's stakeholder engagement and Ofgem's ongoing call for evidence process.

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

We do not think there are any additional metrics that NESO should report against.

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

We agree with the proposed level of innovation funding given that it is in line with historic funding allowances.