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Date
10 March 2026

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Ref: Determinations for NESO1 Business Plan Consultation

This response has been prepared by SP Transmission (SPT) as the Transmission Owner (TO) for Central and Southern Scotland, part of SP Energy Networks (SPEN). SPT welcomes the opportunity to respond to Ofgem's consultation on the Determinations for NESO1 Business Plan. Our day-to-day activities include engagement with the National Energy System Operator (NESO) across an array of areas, including system operation, strategic planning and as code administrators. These activities allow us to meet our licence obligations and ensure the efficient, economic, and safe delivery of a secure electricity supply to our customers. As we work together towards the goals of Clean Power 2030 (CP2030) and Net Zero, the role of NESO as the independent energy system operator becomes increasingly significant. Overall, we support the Ofgem proposals within this consultation for NESO performance objectives being clear, outcome focussed combined with strengthened reporting.

Our feedback includes comment on key areas of the consultation on the Expectations and Success Metrics for the NESO1 Business Plan performance, focusing on Performance Objectives A, B, D, E and G, that impact SPT work areas.

We recognise that during the RIIO-T3 Final Determination process several new roles have been suggested to the NESO including in the methodology for SPT's Major Projects ODI and reviewing the Connections ODI data. We would welcome feedback from Ofgem how these new roles will be included in the NESO's objectives including the required funding and future performance review.

Performance Objective A: Planning A Clean Energy Future

The CP2030 action plan and the forward strategic planning requirements mean we have worked closely, and will continue to do so with NESO, SSEN and NGET. The importance of NESO as a trusted independent expert who can act decisively is key to ensure that central network planning decisions are made without the additional need for further decision-making. Confident and timely decisions will allow for GB network companies to plan with more certainty and execute on their delivery objectives. Is it clear that NESO coordination (A.1) across the various planning workstreams, is crucial to ensuring that industry input is captured and transparency provided in the decision-making process.

Ofgem's advice to NESO to re-fresh some tCSNP2 options in the 're-fresh' later this year has created uncertainty around the need for the projects. We've welcomed Ofgem's feedback on funding available for these options, but we would not want Ofgem's ask for refreshing options to be a re-branding of the NOA hold signals, which led to uncertainty and delay in investment in the GB Transmission system. We support the role of the NESO and the certainty of need signal from the HND and ASTI process. We note greater weight has been placed on NESO decision-making by Ofgem within the RIIO-ET3 price control, this is particularly evident in the Centralised Strategic Network Plan (CSNP) re-opener, where the NESO presenting clear 'Proceed' signals for projects triggers automatic Pre-Construction Funding (PCF) and the

setting of the Output Delivery Incentive (ODI). NESO must work closely with Ofgem to ensure the outputs of the CSNP publication result in timely and proportionate setting of regulatory funding, that outputs for projects avoid delays to strategic network projects and provide network companies certainty in their investment plans.

The Ofgem expectation identified in A.1, requiring NESO to show *improved coordination in network planning and development*, requires a more active role by NESO in understanding the whole system network planning and development (especially given expectation A.2 for alignment of investment pipeline and SEP output consistency). It is imperative that NESO takes responsibility for managing a single source of truth coordination register that identifies and demonstrates whole system developments across the networks.

While we welcome competition, we reiterate our consistent position that introducing Onshore Early Competition requires well-planned policies to avoid unintended consequences, and that, transparency especially on any Cost Benefit Analysis (CBA) methodology is imperative. This has not been explicitly reflected in the NESO's Success Metrics as part of the delivery of A.4 '*Greater competition and innovation in network development*'. We would continue to encourage Ofgem to include transparency as a success metric for delivering greater competition and innovation in the network. We will continue to engage with NESO to apply lessons from the WCN2 tendering process to future competitive tenders and will share this Ofgem.

Performance Objective B: Operating an Intelligent, Real-Time Grid

The Ofgem success measures under Performance Objective B are clear and especially relevant as we enter the RIIO-ET3 period of significant delivery. In direct relation to expectation B.4 - *Outages are managed proactively and efficiently, with their impact minimised*. We have been working with the NESO-led System Access Reform group to deliver a single GB 'Strategic Network Access Plan' for 2030 to support delivery of CP2030 targets and note that output from this group is not a success measure within the NESO1 Business Plan. This is not business-as-usual for NESO or TOs, but represents a detailed, consumer-focused and innovative framework that formalises collaboration, embeds new optimisation processes, and ensures every outage is assessed for solutions that minimise cost for consumers.

Performance Objective D: Delivering a Decarbonised, Operable Grid

Connection Reform continues to be an ongoing undertaking, with NESO and TOs working collaboratively to address the connections queue. We support the Ofgem Expectations in the consultation that appropriately reflect the core Success Metrics; faster connection times, active queue management and effective policy input for low-carbon developments but consider some may lack sufficient objectivity.

We have concerns that several of the proposed success metrics under Performance Objective D lack the necessary objectivity and could unintentionally misattribute performance. '*Shorter connection dates offered*' – this metric risks crediting NESO for accelerations delivered by TOs, particularly where improvements stem from construction program optimisation rather than NESO's own process. This outcome should follow from a shorter connections queue; the measure must distinguish between NESO driven and TO driven factors to avoid shifting operational risk to TOs.

'*Right first-time connection offers*' requires further clarity of what this will mean in practice, and we would suggest this considers both the accurate and timely inclusion of applications in the connection offer process and the accurate, timely and complete final offer. '*Administrative burden of process*' requires a clear baseline on which to measure as Connections Reform has added significant administrative requirements through new guidance, Methodologies and additional checks within constrained timescales. Without a clear baseline, NESO could be assessed against a metric that has structurally increased, independent of the quality of delivery. Finally, the Progression Commitment Fee for generation introduced the concept of 'queue health', which while partly reflected in queue composition and size, would also provide a meaningful indication of success under D.2.

We support Ofgem's Outcome D.3 and its success metric of *quality and timely provision of modelling and expert insight*, and its role in connecting TOs planning and delivery, along with NESO's position in monitoring and milestone tracking the Connections Queue. Significantly, the inclusion of metrics such as connections offer timing, right first time offers, and queue composition are imperative for consumer value and achieving the common targets of CP2030 and Net Zero.

As Demand Connection reform is progressed, NESO will have a key role as an independent system operator of the triparty carrying out reform, with a clear responsibility to interpret and communicate views from network companies to Government and Ofgem. NESO's increasing responsibilities to represent TO and Distribution Network Operators (DNOs) interests, each with regional expectations and requirements potentially impacting the larger strategic GB wide planning process and industrial strategy policy, should be reflected within the objectives to ensure they have the capabilities and expertise to undertake these responsibilities in a timely and transparent way. Given the presence of non-viable projects, especially those that put an increase on the most constrained parts of the GB network, NESO's role in communicating issues to Government, alongside Ofgem will be crucial. Conversely, ensuring that strategically important projects are imbedded in network planning and clearly communicated in a timely way to TOs and DNOs, will be critical to ensure networks are able to meet this important new demand connections. Recognition of this challenge within the NESO Business Plan Final Determination would allow for the important distinction between demand and supply to become a clear Objective for NESO.

Performance Objective E: Driving Whole-System Resilience

There is overlap between this performance objective and that of performance objective B and so would refer to our comments made in this area above. The importance of NESO's role in this area is crucial in recognising the TO's part in managing system resilience. We welcome both the NESO's proposed Performance Objective as well as Ofgem's Outcomes and Success Metrics in this area and would propose the inclusion of NESO's requirement to coordinate and orchestrate each licensee's role (including market response and generator licensees) in securing the system continually develops and in testing system resilience.

The NESO impact pathway for objective E and the Ofgem response that the included activities were a list of outputs rather than contributions to the outcome of the incentive are very pertinent. Our suggestion would be that part of the objective under E.2, should be the need for NESO to show transparency in its decision-making and approach when developing "*resilience and restoration capability*", how feedback such as the Summer and Winter readiness surveys affect the process, forecasts and action output.

Performance Objective G: Providing Customers with a High-quality, Independent and Trusted Service

The proposed NESO's objective in this area recognises the role and responsibility and impact it has as an independent body into all areas of energy system operation. Ofgem's proposal of performance objective G, particularly that NESO provides *a quality, independent Code Administrator for the codes it governs*, is a key part of its role, especially given the work underway on Energy Code Reform. The unprecedented change and transformation of the network, needs to continue to recognise the significant part codes will pay in facilitating and managing change.

We would strongly encourage that the Electricity Network Access Management System (ENAMS) is recognised as a strategically important system in providing customers with a high quality, trusted service in managing downtime. From the perspective of the networks, it is crucial to ensuring we work closely with NESO and their systems such as ENAMS, to meet our own targets under RII0-3 in relation to downtime and system productivity.

As the NESO roles and responsibilities continue to increase in number and complexity, clearly establishing the duties of NESO, along with the objectives and success measures that come under these is crucial. Ofgem's trust in the technical expertise held by the NESO and giving authority to their decision-making, will be critical to ensuring stakeholder understanding, and providing investor confidence. This consideration has

been overarching throughout our review of Ofgem's Draft Determinations of the NESO1 BP. Ensuring that roles are unambiguous, with clear delineation, avoiding duplication of efforts, will ensure a "blame culture" does not develop when challenges will arise. Collaboration requires clear and transparent communications, alongside timely decision-making that meets pre-agreed timelines, necessary for the successful delivery from SPT and SPEN.

With monumental targets and change underway or still required to meet wider government aims, the need for cross industry collaboration and clarity has never been more important. We look forward to seeing Ofgem's Final Determination position on the NESO Business Plan.

Please do not hesitate to reach out should you wish to discuss any elements of our response in greater detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lauren", enclosed within a faint rectangular border.

Lauren Logan

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SP Energy Networks