

NESO Regulation Team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

10 March 2025

Dear NESO Regulation Team,

DRAFT DETERMINATION ON NESO1 BUSINESS PLAN

We welcome the opportunity to respond to Ofgem's Draft Determinations on the NESO1 Business Plan.

We recognise and support Ofgem's move towards a clearer, more outcomes-focused regulatory framework, including the reframing of NESO's proposed impact pathways into a defined set of Ofgem Expectations. Establishing objective, measurable outcomes and strengthening the performance framework should enhance transparency and improve accountability across the system during a period of significant structural change.

As institutional roles continue to evolve, clarity of roles and responsibilities is essential. In a more complex system landscape, with NESO, network companies, code bodies, market operators and government all playing critical roles, it must be unambiguous:

- who is accountable for delivery of specific outcomes
- who has authority to make or influence decisions
- and where stakeholders should seek direction or resolution.

Clear delineation of roles reduces the risk of duplication, delay or unintended gaps in delivery. Importantly, it also helps avoid the development of a 'blame culture' when challenges arise.

We therefore encourage Ofgem's decision to introduce a distinct **code administration** outcome under the newly proposed Performance Objective G. Explicitly recognising this function, and separating it from broader market development activities, provides useful clarity regarding accountability and strengthens transparency across institutional boundaries. We welcome this step and encourage Ofgem to go further by ensuring clear roles and responsibilities are defined across delivery functions, including for auctions, network services, and the Capacity Market and CfD delivery bodies.

Additionally, the timely delivery of **system planning outputs** and **connections reform** milestones will be particularly important during the NESO1 period. Confidence in published timelines, clear governance over milestone changes, and transparent communication when adjustments are necessary are critical to maintaining trust across the sector. Collaboration is fundamental, but collaboration must sit alongside clear ownership of delivery.

We strongly support the introduction of Performance Objective G: Providing Customers with a **High-quality, Independent and Trusted Service**. Trust, transparency, and strategic clarity are foundational to effective system leadership. We consider these principles to be essential across the institutional framework. A consistent expectation of decision-making transparency, quality engagement, and strategic coherence, applied broadly across all central bodies, would further reinforce confidence in system governance.

We also agree with Ofgem's position on **Value for Money**. The strengthened scrutiny proposed in Chapter 5 is appropriate, particularly given the wider affordability context facing households and businesses. Where centrally funded activities are expanding in scope and complexity, robust cost forecasting, disciplined budgeting processes, and clear evidence of prioritisation are essential. Demonstrating efficient use of resources is critical to maintaining public confidence and ensuring that system transformation proceeds in a way that remains proportionate and affordable.

We approach this consultation in a spirit of constructive partnership. The transition to a more integrated system operator and planner model presents both opportunity and complexity. Effective delivery will require close cooperation across institutions. However, sustained collaboration depends on clear accountability, transparent governance, and confidence in delivery milestones. Strengthening these foundations will support not only NESO's performance but trust in the wider system architecture.

In the Annex that follows, we provide detailed comments on the Draft Determinations.

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

**DRAFT DETERMINATION ON NESO1 BUSINESS PLAN – SCOTTISHPOWER
RESPONSE**

Regulation of NESO

Question 1: Do you agree with our assessment that NESO's six Performance Objectives, alongside Ofgem's additional Performance Objective allows

We broadly agree that the six original Performance Objectives, when supplemented by Ofgem's additional Performance Objective G, provide a comprehensive framework for assessing NESO's performance during the NESO1 period.

In particular, the addition of Performance Objective G is an important and constructive enhancement. It recognises that effective system leadership depends not only on technical delivery, but also on trust, transparency, strategic clarity and accountable governance.

That said, the effectiveness of the framework will depend on the clarity of boundaries between objectives and the clear attribution of accountability for delivery. As roles across the sector continue to evolve, it will be important that performance assessment does not become blurred where responsibilities intersect. We would encourage continued clarity on how Ofgem will attribute delivery where outcomes depend on coordinated action between NESO and other parties.

Performance Objectives, Ofgem Expectations, Success Measures and Major Deliverables

Performance Objective A: Planning a Clean Energy Future

Question 2: Do you agree that this sets a comprehensive set of Ofgem Expectations for the Planning a Clean Energy Future Performance Objective?

Question 3: 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 that the proposed Ofgem Expectations for Planning a Clean Energy Future capture the core outcomes required during the NESO1 period.

Given the centrality of strategic planning outputs to investment, operational and customer decisions across the sector, we consider that particular care should be taken in defining the associated Success Measures. The credibility of this objective will depend not only on the quality of plans produced, but also on the clarity, stability and predictability of the signals created.

We would encourage Ofgem to go further on the expectation of 'improved coordination in network planning and development', by enabling NESO to consider future operational requirements at the planning stage, including potential ancillary service needs to support system security and stability.

We welcome the inclusion of measures such as TNUoS and BSUoS forecast accuracy as a success measure, helping to increase investor confidence through greater predictability. However, these measures will need clearly defined methodologies, baselines and tolerance

ranges to ensure they are meaningful and fairly applied. Taking the time now to define what 'good' looks like, including how forecast accuracy will be measured, how external drivers will be treated, and how material deviations will be assessed, will provide greater certainty and avoid ambiguity in later performance assessments.

This performance objective presents a valuable opportunity to establish clearer and more consistent standards across the industry for forecasting transparency and signal stability. Well-defined Success Measures will support comparability over time, provide stakeholders with confidence in published forecasts and reduce the risk of retrospective reinterpretation of performance.

We would also encourage that Success Measures reflect timetable stability and clarity of communication where strategic outputs evolve. Changes to planning assumptions or outputs are sometimes necessary; however, confidence is strengthened where changes are transparent, well-explained and managed within a clear governance framework.

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

Question 4: Do you agree that this sets a comprehensive set of Ofgem Expectations for the Operating an Intelligent, Real-Time Grid Performance Objective?

Question 5: 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 agree that the proposed expectations appropriately focus on maintaining system reliability while reducing balancing costs and carbon intensity. The explicit linkage between reliability and cost efficiency is particularly important. Consumers should benefit from improved operational efficiency without compromising resilience.

Performance Objective C: Enabling Smarter, Cleaner Markets

Question 6: Do you agree that this sets a comprehensive set of Ofgem Expectations for the Enabling Smarter, Cleaner Markets Performance Objective?

Question 7: 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 that the proposed Expectations capture the intended outcomes for market design and operation.

We particularly welcome the separation of code administration into Performance Objective G. Clarifying this distinction helps ensure accountability is not diluted and provides greater transparency over institutional roles.

In relation to markets, coherence across market signals and clear articulation of how market reforms support operability, affordability and investment will be important. Given the interdependencies between markets and operational outcomes, clarity over NESO's role relative to other bodies will help avoid confusion and ensure accountability is appropriately located.

Performance Objective D: Delivering a Decarbonised, Operable Grid

Question 8: Do you agree that this sets a comprehensive set of Ofgem Expectations for the Delivering a Decarbonised, Operable Grid Performance Objective?

Question 9: 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 that the proposed Ofgem Expectations appropriately reflect the core outcomes required under this objective: faster connection times, active queue management and effective policy input for low-carbon developments.

Connections reform is a critical enabler of system transformation. The success of this objective will depend not only on the structural reform of the process, but on delivery against clear and stable timelines. Confidence in milestone adherence, and transparent communication where changes occur, will be essential.

However, we recognise that NESO has faced significant challenges in managing Connections Reform and the connections offer process more broadly. These issues have understandably affected industry confidence, and it will be important for NESO to demonstrate progress as the reformed process is implemented. With clearer structures, improved resourcing and stronger process controls, there is a valuable opportunity for NESO to rebuild trust and provide greater assurance to stakeholders.

In relation to connection offers specifically, it will be important that NESO takes an active role rather than a facilitative 'post box' function. This objective should reflect NESO's ability to ensure that offers are accurate, appropriately detailed and compliant with relevant policy and codes. Strengthening this aspect of their role would help reduce the burden on customers to identify errors or inconsistencies and contribute to a more transparent and reliable process overall.

In relation to Success Measures, we support the inclusion of metrics such as connections offer timing, right-first-time offers and queue composition. However, we would encourage:

- Clear baseline definitions for what constitutes 'faster' / 'shorter'
- Transparency around causes of delay, including differentiation between NESO-controlled and external factors
- Clear reporting of milestone changes and their rationale
- Consistent publication of performance data to support comparability over time

We also consider that the transmission-distribution interface will be particularly important in demonstrating effective delivery. Clear accountability for decisions at handover points will help ensure the reforms achieve their intended outcomes and avoid any uncertainty over who is responsible.

Performance Objective E: Driving Whole-System Resilience

Question 10: Do you agree that this sets a comprehensive set of Ofgem Expectations for the Driving Whole-System Resilience Performance Objective?

Question 11: 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.

The consolidation of resilience-related outcomes into a single objective is sensible and improves clarity. It should support more coherent performance assessment and clearer

accountability. Given the cross-sector nature of resilience, clarity on accountability will be important to avoid confusion where outcomes depend on coordinated action. Strong governance and communication will help maintain trust in this area.

Performance Objective F: Building a Digitally Connected Energy System

Question 12: Do you agree that this sets a comprehensive set of Ofgem Expectations for the Building a Digitally Connected Energy System Performance Objective?

Question 13: 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 support the proposed Expectations under this objective. Complete, usable data access and secure, standardised exchange are essential foundations for efficient system operation and market participation. We particularly welcome the emphasis on usability and availability, not merely data publication.

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

Question 14: Do you agree with our proposal to include this additional Performance Objective for NESO?

Question 15: Do you agree that the outcomes proposed under this Performance Objective are clear and comprehensive? Please provide any views for additional outcomes, if appropriate.

Question 16: 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 strongly support Ofgem's inclusion of this additional Performance Objective. Trust, transparency and clarity of strategic direction are essential to effective system leadership. Explicitly recognising these outcomes strengthens the framework and reflects the importance of governance alongside technical delivery.

We particularly welcome the creation of a distinct code administration outcome under this objective. Clarifying that this function sits separately from broader market design activities strengthens accountability and helps avoid institutional ambiguity. Clear delineation of responsibilities reduces the risk of misunderstanding and supports more effective cross-body working.

We would also observe that the principles embedded within this objective, particularly around decision-making transparency and strategic clarity, represent standards that would benefit from consistent application across central bodies within the sector. A shared commitment to these standards would further reinforce system-wide confidence.

Value for Money

Question 17: Do you agree with our approach of requiring additional Value for Money reporting until sufficient information is provided by NESO such that we can perform a Value for Money assessment of this plan?

We agree with Ofgem's proposed approach of requiring additional Value for Money reporting until sufficient information is provided to enable a full assessment.

Given the scale of activity envisaged during the NESO1 period, robust cost forecasting and disciplined internal budgeting are essential. In the current affordability environment, it is particularly important that centrally funded activities are demonstrably efficient and appropriately prioritised.

Enhanced monthly reporting, provision of business cases and clearer visibility of governance processes are proportionate measures at this stage. They should help build confidence that expenditure is controlled, transparent and aligned to delivery outcomes.

Reporting Requirements

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

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

In relation to reporting requirements, we agree that regular, transparent reporting aligned to Ofgem Expectations will strengthen accountability and support effective performance assessment. Clear and consistent metrics will also assist stakeholders in understanding progress throughout the NESO1 period.

Innovation

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

We support continued access to innovation funding mechanisms, including the Network Innovation Allowance and Strategic Innovation Fund, provided these are clearly aligned to delivery of Ofgem Expectations and subject to robust Value for Money scrutiny.

**ScottishPower
March 2026**