Decision

End-scheme assessment of NESO's BP3 performance – executive summary

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The RIIO-2 price control for National Energy System Operator (NESO) covered the period 2021-26. BP3 is NESO's third and final RIIO-2 Business Plan period which covered the period of April 2025 to March 2026.

This report provides the executive summary of Ofgem's end-scheme assessment of NESO's performance during BP3. We have published our 'Evidence Chapters' document alongside this report.

For the avoidance of doubt, NESO's handling of system events related to extreme heat in June 2026 is under investigation but is not within the scope of this assessment.

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Introduction

National Energy System Operator (NESO) operates under a regulatory framework consisting of a pass-through funding approach, supported by performance-based incentives to deliver value for consumers. In March 2026, NESO completed its third and final RIIO-2[1] Business Plan period (BP3), which covered the period of April 2025 to March 2026.

This document sets out the key messages and main factors that influenced our[2] BP3 end-scheme assessment. We've considered NESO's achievement of its business plan aims and its delivery of value for money. **This assessment covers NESO's performance in the period 1 April 2025 to 31 March 2026 only.** NESO's performance after 1 April 2026 will be considered in future assessments.

For the avoidance of doubt, NESO's handling of system events related to extreme heat in June 2026 is under investigation[3] but is not within the scope of this assessment. The investigation could uncover facts relevant to the assessment of the NESO's performance for BP3. If that happens, we reserve the right to update our assessment in light of such facts and republish if necessary.

Further details regarding our performance incentives framework, our assessment methodology and the supporting evidence for our assessment can be found in our 'Evidence Chapters' document, which is published alongside this document.

Overall NESO performance assessment for BP3

After carefully considering a wide range of evidence to evaluate NESO's performance over BP3, we have assessed that **overall NESO met expectations.**

Our rationale for this position relies on two key elements, NESO's delivery of its business plan aims and NESO's demonstration of value for money.

We consider that NESO met our expectations for delivery of its business plan aims and did not provide sufficient positive evidence to meet our expectations in its demonstration of value for money. In reaching an overall performance assessment of 'met expectations', we considered NESO's total delivery of its outcomes-based Performance Objectives to be relatively stronger than the lack of sufficient positive evidence in demonstrating value for money. Therefore, when aggregating these two elements of our assessment we believe NESO met our performance expectations overall.

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[1] RIIO-2 is a five-year price control from April 2021-March 2026.
[2] The terms "our", "we", "us", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.
[3] Regulatory review of the operation and management of the electricity system during the June heat event | Ofgem

Although NESO's performance over BP3 was sufficient to warrant an overall met expectations grading, continued insufficient evidence of value for money will carry a greater weight in future assessments.

Our assessment findings

Overarching messages for BP3

We recognise that BP3 was a transitional year. Over the course of the BP3 period NESO continued to deliver its core operational role well, built its capabilities for its expanded and independent remit and progressed transformation of its digital infrastructure and systems.

There were also notable areas of strong delivery progress in near carbon-free operation, digitalisation, whole system planning and supporting market reform.

Connections reform was a critical objective and a key area of underperformance. There were also other areas across NESO's activities where delivery was delayed, where NESO could have been more proactive in responding to challenges, and where NESO provided insufficient evidence to demonstrate delivery of stronger outcomes or impact.

NESO did not provide sufficient evidence that it sought to optimise the balance between maximising benefits and minimising costs. Underspend was largely deferred spend rather than efficiency savings. While we have not identified any examples of obviously poor value for money decision making, NESO mainly provided basic information on budgeted versus outturn spend and sparse evidence of optimising value. Overall, NESO did not demonstrate consistent or systematic processes to consider optimising the value of its spending.

Part 1: NESO's achievement of business plan aims

We have graded NESO's performance as 'met expectations' for NESO's delivery of its business plan aims.

Overall, NESO met expectations for delivering its suite of Performance Objectives. NESO delivered the full outcomes for 3 out of the 8 Performance Objectives, sufficient performance against 4 Performance Objectives and underperformed against 1 Performance Objective.

NESO's suite of Performance Objectives collectively represented an ambitious plan which, if delivered in full, would deliver material consumer benefits. Therefore, we consider NESO's achievements across its activities, whilst not fully delivering against all its Performance Objectives, to represent satisfactory performance.

Our overall view is largely consistent with NESO's stakeholder survey results and the independent panel's views. NESO received strongest positive feedback from industry under its operational and security roles and connections received significantly low feedback scores.

We have outlined below a short summary of our assessment for each Performance Objective and the key rationale and evidence that contributed to this.

Strategic Whole Energy Plans

NESO did not deliver this Performance Objective in full but delivered satisfactory progress. NESO made credible progress establishing key capabilities and delivering early national and regional planning outputs, including the Strategic Spatial Energy Plan (SSEP), Centralised Strategic Network Plan (CSNP) and the transitional Regional Energy Strategic Plan (tRESP). We believe important aspects of the planning framework required further development - particularly in relation to organisational capability depth and planning foundations.

Enhanced Sector Digitalisation and Data Sharing

NESO did not deliver this Performance Objective in full but delivered satisfactory progress. We recognise the significant progress NESO made to improve Sector Digitisation by establishing the Data Sharing Infrastructure. However, a number of NESO's other activities were underpinned and impacted by NESO's digital infrastructure challenges and stakeholder feedback regarding transparent data and access was typically negative.

Operating the Electricity System

NESO did not deliver this Performance Objective in full but delivered satisfactory progress. NESO came close to securing 100% zero-carbon operation of the system in 2025. NESO also operated the system in a safe, reliable, and predominately transparent and efficient way across the BP3 period (1 April 2025 – 31 March 2026)[4]. However, there was a lack of evidence that NESO took actions in a timely manner to ensure both secure system operability and efficiency, and the overall reduction in skip rates was smaller than anticipated and unevenly distributed across technology types.

Connections Reform

NESO did not deliver this Performance Objective nor make sufficient progress towards it, although we note the ambitious timelines and scope of this work. Whilst NESO made structural reforms to the connection queue, NESO has not fully implemented the reform process – with underperformance highlighted through missed deadlines, unclear prioritisation, inaccurate offers and inconsistent quality of customer engagement. Stakeholders feedback was also significantly negative.

[4] For clarity, our assessment focuses on NESO's operation of the system in BP3. NESO's operation of the system outside of this period is out of scope for this assessment.

Fit-for-Purpose Markets

NESO did not deliver this Performance Objective in full but delivered satisfactory progress. NESO provided positive support to the government on market reform and continued to deliver final reforms on its own markets. However, there was a lack of evidence that NESO considered fully the changes needed to ensure market rules, signals and operations remained efficient and maximise value for consumers.

Secure and Resilient Energy Systems

NESO delivered this Performance Objective. NESO delivered well the capabilities and requirements needed for industry to meet the Electricity System Restoration Standard (ESRS) and the North Hyde Review. However, the quality of some key outputs for resilience were limited due to the omission of gas-related assessments – limiting the overall value of delivery.

Clean Power 2030 Implementation

NESO delivered this Performance Objective. NESO successfully starting implementation in line with the government's Clean Power 2030 (CP30) action plan. Whilst NESO achieved this objective, the materiality is comparatively low and there are greater impacts for NESO's delivery of CP30 under other Performance Objectives (for example, connections).

Separated NESO Systems, Processes and Services

NESO delivered this Performance Objective. NESO met our expectations to be on track to exit the Transitional Service Agreement (TSA) arrangements by October 2026. Whilst, as a standalone objective, the direct benefits for industry/consumers of this Performance Objective is limited compared to others, it is a key underlying enabler to setting up an efficient NESO. We recognise the substantial effort and transition that has taken place to deliver this Performance Objective.

Part 2: NESO's delivery of value for money

We have graded NESO's delivery of value for money as 'below expectations'.

NESO has the responsibility to provide sufficient positive evidence that it has achieved an optimal balance between maximising benefits from its activities whilst minimising costs. Whilst we have not identified evidence of obviously poor value for money decision making, NESO has not provided sufficient positive evidence to demonstrate that they are consistently driving value for money. The independent panel highlighted similar concerns on NESO's value for money evidence.

At the start of BP3 we clarified that while the anticipated benefits from NESO's delivery justified the planned expenditure, NESO would need to sufficiently demonstrate that its proposed costs represented an optimal value for money.

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NESO's reporting focussed predominantly on explaining differences between outturn costs and planned costs. NESO spent £686m against a proposed spend of £690m. There was under and overspend in several areas, netting to £4m underspend overall. NESO attributed most of this to deferral of expenditure (£34m) into the NESO1 period rather than efficiency savings.

We note that NESO engaged constructively throughout the assessment period and provided additional information in response to our requests. While there were some credible examples provided of value for money considerations within NESO's decision making, and evidence of improving capability in this area in NESO's data, digital and technology (DD&T) investment decisions, on the whole NESO did not demonstrate consistent or systematic processes to consider optimising the value of its spending.