The voice of the energy industry

Energy UK's response to Ofgem's Call for Input on the assessment NESO's Business Plan 3 (BP3) performance

May 2026

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

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Executive Summary

Energy UK and its members would like to thank Ofgem for the opportunity to respond to its call for input on the end-of-scheme assessment of NESO's Business Plan 3 performance. We can confirm that we are happy for our response to be published.

While Energy UK recognises the continued expansion in the scale, complexity and strategic importance of NESO's role, including in supporting delivery of the Government's Clean Power ambitions, many of the issues identified during the BP2 period continued to persist throughout BP3. These include concerns relating to delays to key outputs and programmes, inconsistent engagement and communication with industry, limited transparency on progress, and ongoing challenges relating to data quality, governance and coordination across overlapping workstreams. Collectively, these issues continue to create uncertainty for industry and risk undermining confidence in the pace and effectiveness of delivery.

Looking ahead, Energy UK considers that NESO must place greater focus on delivery, accountability, and coordination across its programmes and reform initiatives. This should include clearer delivery roadmaps and milestones, stronger governance and ownership arrangements, improved transparency and reporting on progress, and more effective engagement with industry throughout the development and implementation of reforms.

Performance Objective 1: Strategic Whole Energy Plans

NESO's and the Government's decision to delay the original Strategic Spatial Energy Plan (SSEP) delivery timeframe has meant that NESO has not met the next major BP3 deliverable of submitting its first SSEP pathways to the UK Energy Secretary by the end of 2025. This has also had knock-on effects on the timelines of other key deliverables under this Performance Objective, including the Transitional Centralised Strategic Network Plan 2 (tCSNP2) report and the CSNP methodology.

The SSEP is at the heart of Reformed National Pricing (RNP), setting out the optimal regional locations or 'zones', quantities and types of energy infrastructure to meet our future energy demands. NESO's role is to deliver the SSEP with maximum confidence and at lowest cost. While NESO acknowledged in its November 2025 letter the importance of accurate data, robust assurance and transparency, concerns remain regarding the level of transparency and engagement in SSEP development. Energy UK considers it essential that the assumptions and data inputs underpinning the SSEP are clearly set out, and that stakeholder engagement is meaningful rather than a tick-box exercise, enabling NESO to draw effectively on industry expertise and insight to support the development of a robust outcome.

The continued lack of clarity, regarding both content and timelines, further undermines investor confidence, risking delays to project delivery while also creating ongoing uncertainty around how different programmes interact and align.

There remains ongoing concern around the lack of clarity on how work on the SSEP is coordinated with other RNP workstreams. The recently published RNP Delivery Plan provides much needed clarity on the programme's overall strategic direction and how key reforms fit together. However, transparency around delivery accountability, decision making and coordination of responsibilities across delivery partners, including NESO, remained limited throughout much of the BP3 period and continues to require improvement.

Performance Objective 2: Enhanced Sector Digitalisation and Data Sharing

NESO has made positive progress in supporting the broader ecosystem of digitalisation initiatives in Great Britain.

As part of the DESNZ Digitalisation Vision, NESO has been assigned as a domain coordinator for core system energy, as well as developing the Data Sharing Infrastructure (DSI), which underpins much of the work. NESO is also currently developing its asset visibility roadmap, which seeks to increase visibility of data items of distributed assets such as EVs, heat pumps, and domestic solar panels.

This is welcome progress. However, Energy UK emphasises the importance of ensuring that this work is effectively coordinated and integrated with wider digitalisation initiatives. The level of ambition must be matched by a clear approach to addressing existing challenges around system data sharing. This includes, for example, how the development of consumer consent mechanisms will be aligned with NESO's objectives to improve asset visibility. Without such coordination, there is a risk that these workstreams will be developed in silos. Separately, funding these mechanisms through suppliers' RECCo annual charges would ultimately increase consumer bills, raising questions around whether NESO should also contribute towards funding the development.

Data sharing should be proportionate and purpose-led and should avoid duplication of existing activity that could lead to system inefficiencies or unfair cost recovery. In that context, members have raised concerns around potential duplication between NESO's asset visibility work and Elexon's Flexibility Market Asset Register (FMAR) activities. Such duplication should be avoided, with the smart consumption data sharing work between Elexon and the Smart Energy Code Company (SECCo) serving as a useful example, where overlapping activity ultimately led Ofgem and DESNZ to pause the work.

On NESO's Open Data Portal, there have historically been issues with the data quality of information published in the Capacity Market Registers. While matters have improved somewhat since Capacity Market data updates moved to the Portal, issues remain and NESO should ensure the portal operates as a single source of truth for high quality, reliable data.

Ultimately, the objective of this work must be to deliver benefits for consumers, including through reduction of overall system costs.

Performance Objective 3: Operating the Electricity System

Energy UK supports the increased focus on addressing skip rates over the BP3 period, with overall BESS BM usage continuing to rise. However, there is a risk that the proposed framework could lead to inefficient outcomes rather than meaningful improvement. In particular, the aim of achieving parity across technology types may prioritise uniformity in skip rates at the expense of ensuring that the most efficient and lowest-cost actions are consistently taken. There is also concern that reliance on the Stage 5 skip methodology as the primary measure may underrepresent the true extent of skips when compared with earlier-stage indicators, resulting in a partial view of system performance and weakening accountability.

Energy UK therefore considers that Ofgem should strengthen its expectations of NESO to prioritise merit-order dispatch across all scenarios, improve the robustness and transparency of skip measurement methodologies, and ensure that performance metrics are focused on minimising consumer costs, rather than equalising outcomes across technologies.

Delays and delivery challenges have been observed across several balancing initiatives, including the postponement of Slow Reserve and delays to Non-BM Quick Reserve due to NESO IT issues. In the case of Non-BM Quick Reserve, the NESO ENCC were unable to utilise it as the Bulk Dispatch Optimiser did not have non-BM integrated at the point of Non-BM Quick Reserve go-live. These issues were compounded by shortcomings in communication and stakeholder engagement, with participants not being adequately informed and NESO not fully acknowledging fault.

In addition, operational and implementation challenges have arisen from insufficient notice periods, such as the 5 working days provided for Balancing Reserve mock auctions in September 2025, which limited participants' ability to make necessary system changes and, in some cases, prevented participation altogether.

NESO has progressed work to enhance its forecasting capability over the BP3 period, albeit with some minor delays. However, the recently published NESO Forecasting Strategy provides limited detail on how forecasting capability will be improved in practice, alongside limited transparency around forecasting errors and their impact on decision-making within the BM by both NESO and market participants. The associated metrics could also benefit from further clarity. Taken together, this makes it more difficult to assess whether progress in this area is advancing at the required pace and delivering the intended operability efficiencies. NESO has also recently commenced work on a number of market options, including solutions to address repetitive re-trading and the provision of voluntary data to NESO, all of which interact with reforms being progressed under RNP. However, there is currently limited transparency around these workstreams, and the approach appears insufficiently aligned with wider RNP activities.

There were also delays to the establishment of the Storage TNUoS Subgroup, alongside a lack of clear communication on its development.

Performance Objective 4: Connections Reform

Energy UK has previously expressed support for NESO's and the Government's objective of aligning the connections process with the Clean Power 2030 Action Plan. While NESO has continued to advance Connections Reform over the BP3 period, progress has not been without its challenges. In particular, there were significant technical and design issues with the connections portal at launch, where NESO should have acted quicker to respond and extend the submission deadline and without Government, Ofgem and industry pressure. These delays hindered the effective and timely delivery of the reordered connections pipeline.

Members also note that, despite NESO holding daily webinars during this period, Q&A responses were not formally recorded or published. As a result, much of the information shared was only available to those able to attend the sessions live, leaving no clear and accessible written record for wider industry reference. This created challenges for market participants seeking to make informed investment decisions during the period. Direct engagement with NESO was also difficult, with resource constraints appearing to affect responsiveness. Collectively, these issues added complexity to the process for market participants. In essence, there was not a clear route for stakeholders to share their views and hold NESO to account to deliver on one aspect of connections reform. Similar issues are now being seen in the new connection offers being sent out to developers, where inconsistencies, inaccuracies, and process issues continue.

Further delays in issuing offers under the newly formed connections delivery pipeline have meant that NESO has not met its stated deliverable to ensure that all Gate 2 to Whole Queue process connection offers are issued by the end of 2025. It is also notable that protected offers for projects seeking to connect before the end of 2027 were not upheld.

These challenges have raised questions regarding the robustness of the Connections Reform process, whether NESO's original delivery timescales were achievable, and the credibility of the revised timelines for agreeing new offers.

Several concerns remain, including limited clarity on the role of firm and non-firm connections, uncertainty around attrition within the new delivery pipeline, and concern over whether the necessary engineering works can be delivered on time. Additionally, it remains unclear how Connections Reform decisions align with wider policy developments across key workstreams, including the Contracts for Difference (CfD) and Capacity Market (CM) regimes. Overall, this has had, and continues to have, an adverse impact on stakeholder and investor confidence in NESO's ability to deliver the reform.

The engagement between the Transmission Operators (TOs), NESO and the regulator, regarding the view that 62% of the protected offers would not be delivered on time,[1] has impacted the relationship and trust of developers in the NESO and TOs. If these concerns were already known before the final queue was decided, members have asked why this was not shared with developers at an earlier stage, and why the connection queue was finalised with many projects that cannot be delivered. Some members have expressed a concern that this shows NESO was operating in bad faith, purposefully misleading the sector, the regulator, and the Government about what is realistic.

[1] Ofgem (2026), Update on delays to connection dates for some TMO4+ Protected Projects

During this period of transformation across industry, it is vital that engagement is undertaken in a way that sets clear actions, gives the right to respond to stakeholders, and enables the industry to hold NESO to account for delivery. The webinar sessions held were deemed by many to be a ‘tick-box’ exercise that did not show consistency or a clear route for input.

It should be noted that NESO has demonstrated a strong overall quality of engagement throughout the Connections Reform process, characterised by cross-departmental coordination, holistic thinking, and a clear sense of urgency. However, issues with the connections portal have shown that, while communication and engagement were generally regular, there were instances where NESO fell short of its stated objective to provide transparent, clear and timely communication and support to stakeholders. This included slow responsiveness to commercially important stakeholder requests and the provision of inaccurate information, among other issues.

It is positive to see Ofgem and NESO working with the Government to advance strategic demand connections, while noting that this work remains at an early stage of consultation. Although it has progressed within NESO’s stated deliverable timeframes, Energy UK considers that greater focus could have been placed on this area over the BP3 period.

NESO must remain closely involved in this process, providing technical input and drawing on lessons learned from the shortcomings of Connections Reform for generation, to ensure these are reflected as the workstream progresses. There is also a need to address strategic demand beyond data centres, to ensure that a broader range of critical sectors across Britain is adequately supported, and that the reformed connections process for demand is aligned with offers already issued to generators.

Performance Objective 5: Fit-for-Purpose Markets

Ancillary Services

Energy UK members do not believe that NESO provides a sufficiently clear or detailed view of its requirements and market developments. The NESO Markets Roadmap is meant to serve as a guiding document, outlining NESO’s market objectives, principles and plans for market reform. However, it acts as a summary document of existing services and pointers to what may or may not be developed.

Generally, planned amendments to NESO procurement approach for services, such as locational procurement, or finer granularity of service procurement (Response at Settlement Period not Electricity Forward Agreement level) do not currently appear well co-ordinated or aligned with broader initiatives. Issues, such as constraint costs being progressed through the Constraint Collaboration Project programme, are linked to some of the initiatives NESO has on its Markets Roadmap programme. However, there does not appear to be clear alignment, or co-ordination between these programmes or CP30.

The lack of clarity also extends to more detailed revisions. For example, NESO recently created significant confusion during consultation on Response service term revisions by communicating incorrect information on existing service terms that contradicted the actual arrangements. More generally, NESO's teams engaging on service term rule change consultations have tended to frequently change their proposed approaches, making it difficult for market participants to track NESO's latest position and engage effectively.

NESO's Mid-Term Stability Market has recently failed to procure services from battery storage, following the introduction of several new requirements that resulted in all battery submissions being unsuccessful. This is despite many of these assets already holding Pathfinder contracts with NESO, which were intended to be replaced by the Mid-Term Stability Market as an enduring solution, ultimately delivering the same service. While Energy UK recognises the importance of prioritising system stability, the exclusion of assets that have already demonstrated their ability to deliver this service through the pilot phase raises questions as to whether the transition could have been managed more effectively to support progress towards zero-carbon operability. It is important to understand the scale of consumer detriment from this failure.

On a positive note, NESO's communication and engagement regarding the retirement of Mandatory Frequency Response (MFR) and the extension of Dynamic Regulation to become a Day-ahead and Within-day tenderable service has been good. Additionally, progress on enabling demand-side flexibility has also been positive, with NESO delivering many of the objectives set out in the Enabling Demand-Side Flexibility in NESO Markets report.

Engagement

NESO does offer plenty of engagement opportunities and publishes information often, though the content at these events and publications is often repetitive or limited in terms of updates. While in-person events provide valuable opportunities for industry engagement, they do not always appear to include individuals with the appropriate level of expertise or market understanding to engage effectively on more detailed or technical issues.

NESO's planned roll out of GC0166 could have been better communicated in terms of the specifics of the release process, including how the process will actually work in practice.

Performance Objective 6: Secure and Resilient Energy Systems

NESO has an objective to ensure the necessary capabilities and requirements are in place and facilitate industry readiness to meet the Electricity System Restoration Standard (ESRS). However, industry has encountered issues with the implementation of GC0156.[2] NESO could have been quicker to develop and publish guidance. Engagement with the responsible NESO team was also at times difficult and slow paced. As a result, Energy UK believes that there is a risk that compliance may not be at the level expected by the end of 2026.

Energy UK would also welcome further clarity on the progress and next steps of NESO's resource adequacy work, including how it interacts with wider ongoing work on security of supply.

Performance Objective 7: Clean Power 2030 Implementation

NESO has a central role in delivering clean power. The advice on clean power delivered by NESO to the Government in 2024 was a substantive and useful document produced in a matter of months. This was followed up with its Clean Power Implementation Plan in summer 2025 which focused only on the NESO actions and how they support and enable Clean Power 2030 (CP30). This provides a valuable insight into what NESO intends to do in order to support the delivery of CP30. The CP30 Readiness Report was due by the end of 2025 according to the June 2025 Implementation Plan[3] does not appear to have been published, so it is difficult to assess whether NESO is meeting its CP30 deliverables.

Whilst CP30 introduced new responsibilities for NESO, it remains essential that NESO continues to deliver the existing and future activities already aligned with the CP30 ambition. This includes ensuring that its systems and operational capabilities remain fit for purpose as the electricity system continues to decarbonise.

A critical enabler is ensuring that stakeholders are able to register for the Balancing Mechanism efficiently. The implementation of the Single Markets Platform (SMP) appeared disjointed. While the SMP is intended to simplify and improve navigation of the Balancing Mechanism registration process, this objective was not fully realised due to incomplete and/or incorrect data entries. Furthermore, NESO's recent request for industry to review and validate data could have been managed more effectively, as the process created a number of unnecessary issues for stakeholders. NESO

[2] NESO (2025), GC0156: Facilitating the Implementation of the Electricity System Restoration Standard
[3] NESO (2025), Clean Power 2030 Implementation Plan

must ensure that it delivers existing business as usual activities in a more efficient and coordinated manner, enabling stakeholders to engage effectively.

It is important that NESO maintains its role as an objective, technical body. For example, in DESNZ's Review of Electricity Market Arrangements (REMA), NESO adopted a prominent position in support of locational marginal pricing. A more measured and balanced approach may have better supported constructive engagement and helped avoid reinforcing already firmly held positions.

Performance Objective 8: Separated NESO Systems, Processes and Services

N/A