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By Email:
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18th May 2026

Dear NESO Regulation Team,

End of Year Review for NESO's BP3 assessment period

This document sets out the National Grid Electricity Distribution (NGED) response to Ofgem's call for input on the End of Year Review for NESO's BP3 assessment period, issued on 17th April 2026.

We have responded to the elements of this Call for Input where we believe we can add value to Ofgem's assessment. Where an objective included in the Call for Input is not covered by this response, this is because we have no specific feedback on the objective.

NGED recognises the progress NESO has made over the past year in advancing whole system outcomes across strategic planning, system operation, connections reform, digitalisation and market development. In these highlighted areas, NESO's work reflects a clear shift towards a more integrated whole system perspective, with increased coordination between transmission and distribution and at regional levels. In particular, NESO has demonstrated a proactive and collaborative approach to addressing emerging system challenges with tangible progress in areas such as operability, the development of the transitional Regional Strategic Energy Strategic Plan (tRESP), and the continued evolution of flexibility markets. The expansion of stakeholder engagement channels, including through regional forums and improved communications capability has also supported stronger alignment across the industry.

NGED considers that maintaining positive momentum will require an increased focus in a small number of areas, such as earlier and more consistent stakeholder engagement, to ensure that reforms and strategic outputs are well aligned with user needs and regulatory requirements. It would also be beneficial to have greater clarity on long term frameworks and the interaction between key programmes, such as connections reforms, flexibility markets development, and strategic planning. This would enhance industry confidence and enable effective decision making across the sector, and especially in relation to ED3 price control planning.

NESO has taken on a broader and increasingly complex remit across whole energy system planning and stakeholder engagement including at regional levels, reflecting its central role in delivery of whole system outcomes. As these responsibilities have evolved, there is an opportunity to further strengthen capability and processes to fully embed these functions. As NESO moves into BP4, NGED remains committed to ongoing collaboration, sharing insight and working jointly to support NESO through this transition to help build the capabilities needed to deliver effective outcomes for stakeholders and consumers.

Operating the Electricity System

NGED believes NESO is demonstrating strong performance through a proactive and collaborative approach to managing emerging system operability challenges. The Reactive Power Injection Operability Trial (RIOT) provides a clear example of this, evidencing NESO's ability to maintain voltage control, restore operational margins, and reduce reliance on high-cost balancing actions, while ensuring compliance with security and voltage standards and protecting consumers from unnecessary costs.

The RIOT was a joint operational initiative between NESO and NGED designed to test whether closer coordination between transmission and distribution operators could address growing reactive power and voltage management challenges, particularly in areas with high embedded generation and low demand. As RIOT represents a practical and scalable solution to emerging whole-system operability risks, NGED welcomes future collaboration opportunities with NESO for effective whole system outcomes.

Strategic Whole Energy Plans

In relation to strategic whole energy planning, NESO has shown continued progress in adopting a whole-system perspective. NESO has been working collaboratively with NGED on the development of the tRESP methodology and outputs, with delivery aligned to expected timescales. The introduction of regional engagement teams has also facilitated more effective collaboration and alignment during tRESP development, enabling stronger industry engagement.

However, further clarity would be beneficial on linkages between different NESO's strategic planning outputs and parallel decision making processes, including ongoing Connections Reform activities. For example, tRESP outputs have not fully supported ED3 business planning needs, as some outputs have not sufficiently reflected the broader factors that Ofgem must consider when setting regulatory allowances in a price control period. This has led to the need for additional guidance from Ofgem to address gaps.

There would be value in ensuring that future RESP iterations are developed with earlier and more integrated stakeholder and regulatory input so that outputs are more clearly aligned to their intended use cases. This would support greater confidence in strategic planning outputs and improve their effectiveness in informing investment decisions and regulatory process.

Enhanced Sector Digitalisation and Data Sharing

NESO has taken initial steps to advance sector digitalisation through the development of a Data Sharing Infrastructure (DSI) Minimum Viable Product (MVP) and the delivery of a pilot project to test feasibility, proof of concept and early use cases. This represents a positive move towards addressing long-standing data accessibility and interoperability challenges across the industry.

However, during the MVP development phase, stakeholder updates were provided on a relatively infrequent basis which limited industry engagement and the opportunity for stakeholders to contribute early and iteratively to requirements scoping. Given the scale and potential impact of both the MVP and an enduring DSI, NGED's engagement with NESO on scope, design and operational considerations was limited. Earlier and more consistent engagement would support appropriate alignment with user needs and increase long-term confidence in the DSI.

Also, while NESO recognises the importance of its coordination role in the standardisation and governance of data to be hosted on the DSI, there remains industry wide uncertainty about how DSI will complement, integrate with or potentially supersede datasets currently available through existing data portals. Greater clarity on this interaction would help stakeholders plan for adoption and avoid duplication or fragmentation of data sources.

Despite these challenges, NESO is actively working towards an improved MVP which better reflects regulatory expectations and operational realities. A more proactive engagement approach, including more frequent public updates and structured opportunities for stakeholder input, would support the development of a robust, functional and widely adopted DSI that delivers enduring whole system benefits.

In parallel, NGED notes continued improvements to the Open Data Portal, particularly in data availability and usability. A critical way to further enhance the value of these datasets would be the inclusion of supporting methodology statements, contextual information and scenario documentation which would enable more informed analysis and interpretation of data.

Connections Reform

Against the backdrop of delivering the dynamic connections reform programme, NESO has maintained active engagement to support industry collaboration and stakeholder alignment. Over the past year, the expansion of its communications capabilities, including the establishment of a dedicated team has noticeably improved stakeholder relationship management and the consistency of messaging around connections reform.

There would be benefit in ensuring that reform related communications consistently consider DNO and TO impacts and alignment, with sufficient opportunity for preview ahead of NESO publications. This would help DNOs prepare appropriately and support clearer, more coordinated engagement with customers and wider industry stakeholders. In this context, the Connections Portal has been a welcome development providing a single platform for all NESO engagement and helping to reduce fragmented or mixed messaging. Further enhancements particularly around query handling would improve its effectiveness and impact. Dedicated teams and timely responses to more tailored or technical queries, such as from DNO and TO legal teams, would help address current delays and improve overall service delivery to customers and industry.

Given the scale and complexity of the connections reform programme, challenges around connection offer dates and timelines remain, reflecting broader industry-wide constraints.

There are also some foundational areas within NESO's control that continue to affect delivery including data quality, Construction Planning Assumptions (CPAs) and clarity around KPIs and risk management within programme governance. NESO has started to address these issues through the introduction of a new hub structure, which is expected to support more structured and effective programme management. Continued strengthening of PMO capability and agility will be critical to manage evolving dependencies and anticipated changes to the reform programme. Improved programme management would also enable proactive stakeholder communication and collaborative problem solving, supporting alignment and delivery across the system.

NESO has also started to progress its connection methodologies to support strategic demand objectives, with the inclusion of transmission demand projects within the acceleration framework. However, embedded demand on the distribution side has not been included within the TMO04+ framework, which, while understandable, introduces potential risks to G2WQ processing. A more holistic consideration of pragmatic options to accelerate strategic projects while maintaining queue positions across all levels would help mitigate these risks and support whole system outcomes.

Fit-for-Purpose Markets

NESO has continued to make progress in supporting policy and market reforms that deliver whole system benefits. In particular, its approach to open communication and engagement with DSOs as a key stakeholder and critical friend has been valuable. Regular engagement through the Flexibility Focus Group, with constructive input provided through these forums, as well as through ongoing bilateral discussions across the markets teams, has supported effective information sharing and alignment across the flexibility landscape.

The recent Call for Input on Balancing Reforms represents a slight departure from this established approach to early and open engagement in navigating market design and reforms. The proposals set out have material implications for system operations and flexibility markets, yet there was no prior discussion despite the strong interdependencies between NESO and DSO markets. Earlier visibility of emerging market design thinking would help enable more collaborative working, maintain alignment as market reforms progress and support whole system outcomes.

NESO markets have also been instrumental in progressing demand side flexibility in support of CP30 outcomes. The expansion of the Demand Flexibility Service (DFS) this year to include demand turn-up is a positive development, as it broadens the contribution of flexible demand to constraint management and system balancing. To realise longer-term benefits, greater clarity on NESO's strategic direction would be beneficial. In particular, setting out the long term role of specific markets such as the Local Constraint Market (LCM) and DFS, including certainty on DFS continuity, and any alternatives or enduring pathways would help provide confidence for affected assets and technologies. As the Flexibility Market Asset Registration (FMAR) is implemented, bringing DFS within scope will be important to ensure FMAR delivers value for Flexibility Service Providers (FSPs) and consumers at large. Increased certainty would support investment decisions and help to grow consumer-led flexibility participation across NESO markets.

NESO’s market reform developments have encouraged increased participation from FSPs, but exclusivity clauses within some markets may restrict FSPs from stacking value across NESO and DSO products. In addition, improved transparency around skip rates and related decisions would support better understanding and participation in NESO markets particularly for smaller assets and batteries. Addressing these areas would further unlock efficient asset utilisation and strengthen overall flexibility benefits across the whole system.

Conclusion

NGED remains committed to continued collaboration with NESO to further develop and strengthen capabilities across system operation, strategic planning, digitisation, reform and wider market design objectives. NGED would also welcome further engagement on this response should Ofgem find this valuable, to support pragmatic and coordinated progress across the industry. I trust that you find this feedback useful in assessing how NESO are performing against their stated BP3 objectives.

Yours sincerely,

Paul Branston

Director of Regulation

National Grid Electricity Distribution