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Ref: Call for Input for NESO Business Plan 3 Call for Input

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). We work closely with and have daily interactions with the National Energy System Operator (NESO) across many subject matters which come within the BP3 objectives.

We value and welcome the opportunity to contribute to Ofgem's call for input on NESO's performance over the Business Plan 3 (BP3) period, 1 April 2025 to 31 March 2026. Feedback from key stakeholders who interact with the NESO is essential to ensure that NESO are held to account for their actions (positive or constructive) and is particularly relevant within the NESOs newly established regulatory framework. 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 continues to develop.

SPT engage with NESO across an array of day to day activities including system operation, strategic planning and as code administrators. We recognise NESO are also required to liaise with a large number of active stakeholders, including government, the regulator, industry and ultimately consumers. Given that the roles and responsibilities of NESO are ever increasing, we continue to strongly advocate that the duties and expectations of NESO as an independent authority, should be clear and transparent, to allow for timely decision making and should include the relevant and necessary conflict mitigation processes across different work areas.

Whilst the NESO's advisory role to Government and Ofgem, is established within the Energy Act 2023 and Strategic Policy Statement, SPT continue to advocate that the NESO should have clear processes established for representing the views of industry stakeholders, including network licensees, utilising their detailed network-specific knowledge, experience, expertise, and direct operational engagement with generators and stakeholders. Both Ofgem and NESO have 'trade-offs' on consumer cost, delivering net zero and economic growth, whilst maintaining system reliability and resilience. How each should be considered has not been defined and we welcome a review of the Strategic Policy Statement to provide this consideration, noting this was also part of the DESNZ review of Ofgem.

The engagement of stakeholders at all stages of decision making improves early signals to wider interested parties, and a steer to industry. Stakeholder engagement is critical to allow high quality decision-making by NESO, drawing on relevant expertise and experience of key stakeholders.

SPT regard as positive the inclusion of the additional Ofgem expectations which develop the proposed NESO objective outcomes and have considered these within our analysis. In drafting our response to this call for input we have specifically identified the performance objectives which impact networks, or where we have close interaction with NESO. In our response we have focused on the key assessment component of "achievement of business plan aims" and overall performance of performance objectives.

In appendix 1 we have detailed our extensive feedback on each criterion in which we have summarised below.

Summary

NESO are making progress towards objectives, and we recognise they have had a significant task to deliver their BP3, whilst being cognisant of stakeholders across government, Ofgem, network companies, and other system users, while balancing value for consumers and security of supply.

Strategic Whole System planning has involved extensive engagement and collaboration between SPT and NESO and other parties. This has advanced a high-level Centralised Strategic Network Plan (CSNP) methodology during BP3, but significant detailed and practical integration delivery work remains across key areas including Strategic Spatial Energy Plan (SSEP), modelling, and Connections Reform. Further, continuous delays in the delivery of plans and unclear interactions between NESO publications means the tCSNP2 refresh may result in a lack of transparency and confidence for TOs. Whilst we recognise the challenges faced by NESO in whole system planning and delivery of the strategies necessary for future system operation is a key output in the NESO business performance assessment. SPT believe that this criterion has not been fully met by NESO.

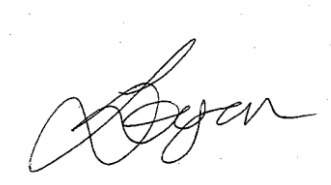
Timely delivery is crucial for TOs and NESO outputs are now interlinked with some RIIO-T3 output delivery incentives. Objectives of the Joint Industry Plan (JIP), the initial 100% connection offers by December 2025 were missed, NESO's contribution to the delays were a significant factor. While engagement was strong for the Minimum Viable Product (MVP) under the objective Enhanced Sector Digitalisation and Data Sharing, delivery is running behind schedule.

In relation to stakeholder engagement, overall, we have good relationships within NESO at a working level, however, these relationships do not transpose into clear and transparent decision making from NESO. We believe stronger autonomy and clearly defined decision-making across NESO and government and/or Ofgem, will speed up decisions and provide less ambiguity. Examples include where the tCSNP2 publication will not set clear signals for industry investment and does not give confidence that a further refresh would be required at a later period.

We have also recently feedback to NESO that competition in transmission does not align with Government policy and have questioned the opaque and unclear purpose of the recent CATO expression of interests. In addition, we have asked for an impact assessment to quantify the risks to consumers in introducing unknown entities into the transmission system at a time of geopolitical uncertainty. We understand NESO has been tasked with implementing competition from Ofgem but we question the timing and the methods used by NESO.

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

Yours sincerely,



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Appendix 1 – SPT's Feedback on Detailed Criterion

Strategic Whole Energy Plans

Extensive engagement and collaboration between SPT and NESO and other parties has advanced high-level CSNP planning during BP3, but significant detailed methodology and practical integration delivery work remains across key areas including SSEP, modelling, and Connections Reform.

The performance objective "Strategic Whole Energy Plans" is a crucial area of SPT's interaction and collaboration with NESO. Throughout the BP3 period we have worked with the NESO team to progress the refresh of the transitional Centralised Strategic Network Plan 2 (tCSNP2) and the CSNP methodology. The CSNP methodology has been developed to an overarching level with input from TOs, however there remains much detailed work outstanding by NESO in this regard, as well as in respect of practical interactions across related work areas e.g. SSEP, the power system modelling of future energy trends and requirements, and Connections Reform.

Lack of clarity and governance around the tCSNP2 Refresh SSEP check, combined with increasing approval complexity risks delaying decisions and undermining confidence in strategic planning resulting in ambiguity around final investment signals for strategic transmission network projects.

The Ofgem expectation, that "NESO outputs under this Performance Objective (are) to be relied upon for decision making and industry planning" is imperative. Whilst we acknowledge the role of the enduring CSNP, we strongly believe that the forthcoming tCSNP2 refresh decision should be a publication that sets clear signals for industry investment, confirms project need and does not require further refresh or project justification.

There remains a lack of clarity and transparency in relation to the 'SSEP check'. No governance framework has been established and there are no criteria for this process on how it will be undertaken or how the outcomes will be communicated with TOs or published. This is particularly concerning given the potential variations that could arise from differing generation and demand background assumptions being used. SPT recognise the challenges faced by NESO and that there are continual moving parts when coordinating strategic planning. The interactions of the SSEP, CSNP and Regional Energy Strategic Plan (RESP) are key components of the future energy system alongside long-term energy requirements. We understand that the scenarios will change, for example the demand and generation connections, but decisive decision making and timely outputs from NESO are crucial to achieving wider energy targets. Unclear signals have the potential to undermine needs cases and can have unintended consequences in the consenting process.

When also concerned with the timing of the competition assessment. This further check creates unnecessary ambiguity for TOs, the supply chain and wider stakeholders. Such uncertainty may also impact project programmes including essential project consenting activities across Scotland and economic growth in Scotland. We have challenged the approach to the NESO's CATO Expression of Interests and highlighted a number of risks with the timing of this given the CATO licence is not known to potential market participants. This creates the potential to produce an inaccurate impression of the market appetite to undertake the extensive responsibilities which will fall to CATOs. We've also seen no impact assessment of opening the transmission system to unknown entities at a time of geopolitical risks and uncertainty. We understand NESO has been tasked with implementing competition from Ofgem, but we question the timing and the methods used by NESO.

We have worked closely with the NESO to develop the HND and tCSNP2 and refresh, we expect strong signals of need in line with the Electricity Networks Commissioner's recommendations (which informed the Transmission Acceleration Action Plan), not continuous reassessment and uncertainty which reflects the ways of working of the Network Options Assessment and 'Hold' signals. This is not the time

to 'Hold' but the time to confirm and accelerate transmission as advised recently by the CCC to the Scottish Government. Despite efforts made by Ofgem and industry to reduce network planning decision timescales and the associated regulatory burden we are concerned that additional steps are being introduced to the approval process, risking unnecessary delays and undermining confidence in the strategic planning process and associated regulatory frameworks.

Whilst we recognise the challenges faced by NESO in whole system planning, delivery of the strategies necessary for future system operation is a key output. SPT believe that this criterion has not been met in full by NESO.

Finally, it is important to underscore that where strategic plans are not clearly and directly linked suffer delay and revised timelines - for example the CSNP new publication date: December'28 - and / or publications lack certainty around project need, the result is uncertainty and potential delay for delivery by TOs. TOs require certainty from NESO to support faster delivery of large-scale infrastructure projects. We urge NESO and Ofgem to recognise that whilst system requirements will change and flux, clear signals to invest and a long-term output plan must be published as a plan for delivery, rather than undergoing further review, such a plan(s) will ensure the best value for consumers.

Enhanced Sector Digitalisation and Data Sharing

We have observed successful outcomes through SPT's extensive engagement with NESO on their Data Sharing Infrastructure (DSI) with the aim of accelerating NESO's Minimum Viable Product (MVP) plans.

SPT have been engaging with the NESO on the industry-wide aims to develop the Data Sharing Infrastructure (DSI) which will unlock secure data sharing between trusted organisations. In the regulatory period Apr'25-Mar'26 the NESO have stood up a project structure under their role as 'Interim DSI Coordinator' with the aim of delivering a minimum viable product (MVP) in the new regulatory year (2026/27). The NESO successfully delivered their DSI Pilot through innovation funding, a project on which SPT have collaborated, observed successful outcomes and have used this to accelerate their MVP project and de-risk technical elements.

In the MVP project, the NESO have successfully established their working groups (four in total) to focus on specific workstreams, all required to deliver a successful MVP. The workgroups are all NESO-led with opportunities for participants (network licensees) to feedback on a range of areas including the design, legal agreements and prioritisation. SPT believes that the DSI programme is ambitious, and this feedback has been shared with the project groups.

Despite working groups related to aspects other than the core technology for DSI having been established, we strongly suggest that further engagement is required through a newly established ENA forum and would benefit from further Subject Matter Expert input.

Separate to the core technology for DSI, the use-cases are being developed – there is a workgroup established for this – and SPT believes additional focus could be put on this with collaboration between the newly proposed "Data Domain Coordinators" and we also suggest more engagement through the established Energy Networks Association (ENA) forum. Furthermore, the DSI programme would benefit from additional subject matter expert input for each of the use-cases to ensure development is associated with the required business change.

Taken together we believe the NESO are in a good position in meeting the expectations of the Interim DSI Coordinator role and are being proactive in this space.

Operating the Electricity System

SPT have worked closely with NESO and other TOs on the Strategic Network Access Project (SNAP) Report which forms part of System Access Reform. The analysis confirms that system access is becoming a constraint on delivery, driven not by a single failure in planning or governance but by the cumulative interaction of rising outage requirements and increasingly constrained network boundaries.

From a system access perspective, there is a credible but challenging pathway to resolving the planning issues which will depend on both the NESO's and TOs' ability to target actions at the most constrained boundaries, improve customer and project readiness, and embed planning insights into ongoing system access.

This position remains contingent on:

- NESO being able to sanction increasingly complex outage combinations across the most constrained boundaries
- High constraint costs associated with those outage combinations being acceptable to the regulator and the UK government, in advance of the constraint cost savings they will enable over the following decades

NESO have shown excellent behaviours in addressing these challenges with TOs through the Transmission Acceleration Action Plan, with much more to be done through RIIO-T3 to make sure system access facilitates, rather than impedes CP2030.

Connections Reform

SPT recognises NESO's progress in advancing Connections Reform through strong collaboration and some key successes, however we highlight ongoing delays, overly ambitious timelines and constrained decision-making negatively impacting overall delivery.

NESO have significant responsibilities in delivering Connections Reform and we recognise the size of this undertaking and the challenge of the exercise. We have worked collaboratively with NESO to progress reform throughout the BP3 period. Success in some areas is evident for example NESO meeting the measure: "design an approach to accelerate strategic demand" by March'26, other areas have seen partial or delayed achievement. Decision making has been constrained whilst, NESO who have been tasked with driving connections reform, rely on Ofgem for approval of decisions.

At times NESO have not effectively driven the need for revised and realistic timelines when faced with suggested ambitious targets when deliverability and managing expectations has been pivotal.

In relation to deliverability of the Connections Reform timeline, we believe that more timely delivery may result if NESO were given more decision-making authority. At present, the ultimate decision-making by Government and Ofgem is likely resulting in delays to the reform work, therefore it is difficult for us to assess NESO's performance in isolation without considering other factors that could be causing delays.

SPT worked with NESO and other TOs to collectively draft the Joint Industry Plan (JIP) which was delayed, meaning several subsequent timelines were also delayed, including: 100% of connection offers by December '25 and Connection Methodologies by March '26 which were missed objectives.

Whilst we identify recent improvements, NESO's coordination of connections reform has seen challenges and a lack of stakeholder engagement has caused several issues.

The lack of stakeholder engagement and coordination by NESO has caused the following:

- All project level engagement with developers (out with submitting queries via the NESO customer portal) was withdrawn. Customers have consistently informed TOs that their queries are left unanswered for significant periods of time, during this time TOs have taken on additional responsibilities in liaising with customers and NESO due to the withdrawal of Customer Connection Manager contacts.

- Changes made to the Connections Network Design Methodology (CNDM) in Nov/Dec 25 without consultation with TOs: changes were across the advancement process, import/export only BESS and Reactive Compensation, all of which have since become material issues.

- Enabling projects needed for 2030: Battery Energy Storage Systems (BESS) are oversubscribed – the introduction of Project Protections under connections reform had the right intent but ultimately has complicated delivery of the Gate 2 to Whole Queue (G2tWQ) program and perhaps not provided the certainty required by developers. Delays to the G2tWQ exercise implementation, has ultimately contributed to the problem of BESS oversubscription. In turn, this contributed to delays to the start of the G2tWQ and has led to issues with the Batched Scheme Briefing Note (TO inputs to this exercise) that are still being resolved.

SPT recognise that improved and stronger stakeholder engagement with NESO specifically across the connections reform process, including on enabling projects post 2030 with work on BESS oversubscription with all involved parties (TOs, developers, Ofgem) would have allowed NESO to meet their performance objectives in this area in a timely manner.

Secure and Resilient Energy Systems

SPT's interactions with NESO have been positive and productive in this performance area, an area where we have close interaction.

SPT have worked with NESO to further implement whole system energy preparedness and resilience. The Joint Restoration plan work is underway and on track for the 1st of December target date. The Local Planning to restart the network is being successfully delivered, and bi-annual exercising (STC-Ps) practised in LJRPs with NESO, is improving. NESO's work has meant that we are ahead of the curve in restoration 2030 and CP2030 projects.

Finally, the Network Access Plan, at operational level and management operational level, is well established and interactions between SPT and NESO are positive on a regular daily basis.

Clean Power 2030 Implementation

The Clean Power 2030 Implementation objective spans several areas of SPT and NESO collaboration, including strategic planning publications and connections reform, both of which have experienced delays. This objective is further complicated by evolving energy scenarios, shifting developer investment, and political uncertainty, all of which NESO must account for through a whole-system approach.

SPT considers it essential that NESO treat these interdependent industry elements in a coordinated manner. The expectation from Ofgem for NESO to support LDES development should not be approached in isolation. For example, in assessing long-duration energy storage (LDES), it is unclear whether this has been fully aligned with broader strategic outputs such as Connections Reform and strategic coordinated network and spatial planning. Evaluating LDES requirements without considering factors such as the battery cap and the heavily oversubscribed reformed connections queue for battery energy storage systems (BESS) risks overestimating future need.

We therefore encourage NESO to ensure that delivery of this objective is closely aligned with wider strategic planning and reform activities, with clear consideration of the interactions across all relevant areas.