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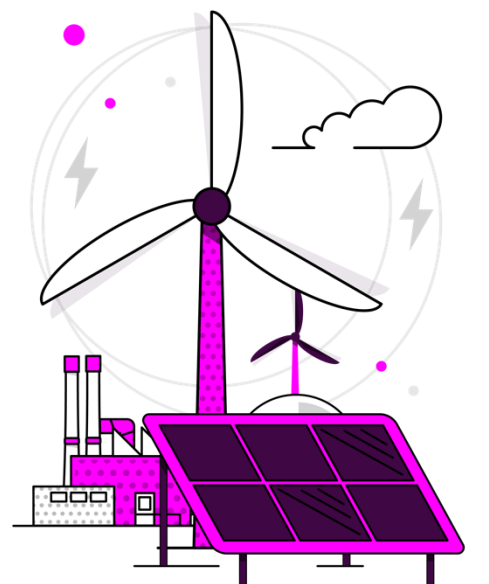
BP3 Enabling Functions Annex

A supplementary annex to the BP3 document providing an overview of NESO's Enabling Functions.



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1. Executive Summary

Summary and Context

Services under TSA/OSA





Executive Summary

Summary and Context

National Energy System Operator (NESO)'s Enabling Functions deliver services on behalf of the whole organisation. NESO has the following Enabling Functions:

- Digital, Data & Technology (DD&T)
- Chief Financial Officer (CFO)
- People
- Legal and Regulation (L&R)

Following the separation of NESO from National Grid, some of the services provided by these functions are still supported by National Grid through Transitional Service Agreements (TSA) and Operational Service Agreements (OSA). This Annex provides an overview of the scope of each of the Enabling Functions, the services currently provided through TSAs and OSAs and the forecasted total Enabling Function cost ranges split into direct and indirect cost.

This annex is a supplement to the Business Plan 3 submission and is intended only to provide an overview of the Enabling Functions for which services are partially provided under TSA, particularly focusing on TSA and OSA alignment.

Services under TSA/OSA

NESO has undergone significant transformation to establish an independent organisation under new ownership. To enable the transformation to an independent organisation with minimal disruption, NESO is supported by TSAs and OSAs provided by National Grid. These commercial agreements ensure the continuation of critical services between NESO and National Grid during a transitional period between 1 October 2024 and 30 September 2026. Formal governance assures service levels are regularly monitored and measured to ensure that NESO can continue to operate without disrupting licence obligations and business as usual activities. In parallel NESO will carry out its transformation to establish its day 2 organisation and TSA exit.

Exit Planning

NESO and National Grid are currently in the process of aligning and agreeing on TSA Exit Plans, with a draft plan to be provided by NESO to National Grid on 22nd November 2024 (Day 1+60) and an agreed plan reached by 13th January 2025 (Day 1+100).

2. Cost Summary

Cost Table

Cost Method and Assumptions





Cost Summary

Cost Table

Cost ranges are provided for the rolled-up cost forecasts across the Enabling Functions for FY26. The cost forecasts include the total cost for Enabling Functions, indicative total indirect costs (TSA / OSA), direct ongoing RTB costs and direct one-off investments.

Cost Type	Cost Range
Indicative Total Enabling Function Cost FY26	£240m - £275m
Indicative Total Indirect Costs (TSA/OSA)	£80m - £90m
Direct Ongoing Run the Business Cost	£110m - £125m
Direct One-off Investment Cost	£50m-£60m

Table 1 - Enabling Function Cost Summary (nominal prices)

Cost Method and Assumptions

The approach has been taken to provide a rolled-up summary of costs across the Enabling Functions. The cost ranges consider the different TSA Exit scenarios whilst plans are still being developed. Once baselined plans have been created this will enable increased confidence in forecasting and a greater understanding of the cost impact on enabling functions. We anticipate providing updated figures in our Final Business Plan.

3. Enabling Function Summaries

Digital, Data and Technology (DD&T)

Chief Financial Officer (CFO)

People

Legal and Regulation (L&R)





Enabling Function Summaries

Digital, Data & Technology (DD&T)

The DD&T team own NESO's Digital, Data and Technology strategy, enabling our business, employees and customers through a digital first approach, deployment of digital technologies, data-centric enablement, and long-term transformative innovation. Digital, Data and Technology are critical enablers for a future where everyone has access to reliable, clean and affordable energy and to positioning NESO as a catalyst for change across the global community.

DD&T delivers secure and reliable technology operations across NESO, a substantial modernisation of the technology landscape, and a transition of technology services from National Grid. It provides the data services to enable consumption and access to data and manages NESO's innovation portfolio working to innovate across the industry to solve complex challenges.

Our technology investments are delivered by resources dedicated to NESO projects. Previously shared general technology projects delivered by National Grid are currently provided under TSA/OSA whilst new capabilities or solutions are being planned for NESO.

Transitional Service Agreements (TSAs) associated with DD&T

Reference	TSA Name	Description
TSA-IT-002	Commercial Services	Supply of vendor/ contract management and contract handover services to support the management of contracts related to the provision of TSA services.
TSA-IT-003	Application licences, support & maintenance (non-CNI)	IT application licences and maintenance support for non-CNI applications.
TSA-IT-004	Application & hosting (non-CNI)	Operate, manage and support the non-CNI computing hardware, operating systems, storage and back-up, and environment management within all data centres as well as current cloud solutions used by ESO.
TSA-IT-005	Infrastructure processes, procedures and services	Provision/ use of existing WAN, LAN, telephony (including mobile), network management and network security services.
TSA-IT-006	IT Service Management	Service desk provision including incident, problem and change management.



	Processes and Procedures	
TSA-IT-007	Digital Workplace Services, Processes and Procedures	Support of non-CNI end user devices (office and field force), productivity tools, printing and user access (Active Directory), and including but not limited to, Virtual Desktops, Video Conferencing, collaboration tools, desktop, laptops and hardware.
TSA-IT-009	Cyber Security	Protection of IT assets and networks used by NESO within National Grid environments.
TSA-IT-010	Physical Security	Provision of site and personal security services including event and building security: <ul style="list-style-type: none"> • Provision of physical and personal security services • Provisions for SCC Physical Security services including alarm monitoring and response, incident management. Asset maintenance and fault response (FFT), system maintenance and fault response (System Engineers)
TSA-IT-011	(PSR001) Additional Project Support	Provision of support for additional projects required to support separation and additional knowledge transfer as required where that support would not otherwise be available.
TSA-IT-012	Shared Investment Portfolio Projects	Provision of support for project and programme delivery capability for the agreed set of shared investment projects already in flight.
TSA-IT-013	Pass-through third-party costs relating to NESO	Pass through of service-related costs such as airtime, physical security request costs, and background checks.
TSA-IT-015	Risk and Compliance	Monitoring and management of Technology risk and compliance within the environments that NG plc is using to provide services to NESO under TSA, as well as provision of vendor risk assurance services where relevant for services provided under the TSA.

Table 2 - DD&T TSAs



Chief Financial Officer (CFO)

The CFO directorate supports NESO to deliver excellent outcomes and value for the consumer through insightful information, advice and control across finance, procurement, portfolio management and property. By providing specialised insight, advice and control, it contributes to NESO's ability to make informed decisions, effectively manage resources, and prioritise the needs and interests of consumers.

CFO ensures accurate accounting records along with compliance with standards and legislation. It manages the balancing services and network charges, combining financial expertise with strategic planning skills to support NESO's objectives, overseeing financial and project governance, performance reporting and resource allocation. CFO oversees programme and project delivery to achieve NESO's strategic objectives, providing insight on strategic alignment, finances, risk, and resources. It provides a centralised, responsive and compliant approach to procuring goods and services, managing risks, and adding value. CFO also oversees the management of facilities across the estate, ensuring resilience to critical national infrastructure.

Transitional Service Agreements (TSAs) associated with CFO

Reference	TSA Name	Description
TSA-BUS-09	System Admin Support Coupa and Concur	Technical (non-process) support for cloud-based business support applications including expense management, travel management and indirect procurement software.
TSA-BUS-10	Master Data Management	An on-request service for the creation, maintenance, and governance of finance-related master data within SAP S4.
TSA-BUS-11	Accounting Services	Ad-hoc call down support for general accounting services and month end journal preparation.
TSA-BUS-15	Robotic Process Automation (RPA)	Assistance with monitoring and repairing existing bot automations within the NESO estate supporting business processes.
TSA-BUS-16	Controls Monitoring Platform Data Provision	Provision of a quarterly data extract from the Controls Monitoring Platform to enable manual journal fraud controls.
Property Lease	Faraday House & National Grid House	Provision of Faraday House to NESO under terms of a lease agreement (until February 2027) plus to enable expansion of NESO business, additional space in National Grid House (access restricted to NESO staff and contractors)..
Property Reverse Lease	Warwick – CNI & Optel	Warwick facility overheads associated with the provision of Critical National Infrastructure (CNI) and Optel services (CNI time, facilities management, overhead, utilities).

Table 3 - CFO TSAs



People

NESO's People function aims to deliver a high-quality full life cycle people experience aligned with our employer brand, values and business priorities.

The people programmes are aligned to the business strategy with a critical focus on

- Defining, forecasting, attracting and developing the leadership capabilities and technical expertise required to meet our current and future obligations
- Building a culture and working environment which fosters belonging, high performance, wellbeing and engagement
- Delivering a balanced employee value proposition to attract and retain the capabilities required to meet our obligations

We work alongside the business to enable our managers to ensure delivery of the expected employee experience and support the continuous improvement of performance and capabilities.

Transitional Service Agreements (TSAs) associated with People

Reference	TSA Name	Description
TSA-BUS-8	People Services	Provision of people related services such as payroll, onboarding, right to work validation and the HR contact centre.
TSA-P&C-14	MyHub System Admin Support	Support for the logically separated MyHub system including but not limited to release testing, configuration testing, management of annual performance forms.

Table 4 - People TSAs

Legal and Regulation (L&R)

Our team of legal, assurance, governance, information rights, market monitoring, regulation and network competition experts are committed to advocating for the organisational objectives. With its depth of expertise and broad range of experience, it strives to be trusted advisors and partners to the business and the broader industry, providing guidance and support.

L&R provides regulatory and legal expertise and guidance, supports the management of risks, establishes direction and operational approach for ethics and compliance, and supports compliance with corporate obligations. It also monitors the electricity market along with internal and external behaviour (e.g. for market abuse, insider trading, tipping off), and is developing a commercial model and tender process to create a framework to enable competition and investment in the transmission network.

4. General Services and Operational Service Agreements

General Services

Operational Service Agreements



General Services and OSAs

General Services

General Services covers the additional project support required for separation.

Reference	TSA Name	Description
TSA-PSR-001	Additional project support for Separation and other essential Project Separation Requests (PSR)	PSR project and programme delivery capability for essential Service Recipient IT and non-IT related PSR Projects necessary to facilitate Separation or other essential change or support requirements during the period, in each case, as agreed between the parties in writing via the PSR process.

Table 5 - General Services TSAs

Operational Service Agreements (OSAs)

Operational Service Agreements (OSA) are contractual agreements between National Grid and NESO to record the terms on which the Service Provider will provide certain operational Services on a transitional basis to the Service Recipient.

OSAs have a longer duration than the TSA period (up to 8 years), and a subset of services are bi-directional, i.e. services will be provided to NESO by National Grid and by National Grid to NESO.

OSAs (National Grid Electricity Transmission to NESO)

Reference	TSA Name	Description
OSA-IT-008	CNI Hosting	Operation, management and support of the CNI hosting and network.
OSA-IT-014	Core Optel Connections	Long-term agreement for the provision of Operational Telecoms services.
OSA-PSR-002	OSA Commercial Order Request (COR) Request Support Service	Provision of support for additional projects required to support separation and additional knowledge transfer as required where support would not otherwise be available.
OSA-COR-002	OSA COR Request Support Service	Provision of access to Third Party Suppliers under the Commercial Order Request process for technical support services or technical and delivery resource augmentation.



GSA2 2.4	Meter Operating Agreement (MOA) Service	Provision of servicing to code 1-5 metering systems and offshore metering systems using sufficiently regulated Meter Operating Agent.
GSA2 2.5	Contingency and Evacuation Arrangements	Readiness of property facilities & physical access at the Service Provider's Transmission Network Control Centre (TNCC) in case of evacuation.
OSA-IT-012	Shared regulatory Investment Projects	Provision of project and programme delivery capability or execute via its existing programme delivery, engineering, and infrastructure teams on shared regulatory investment projects.
OSA-IT-013	On Demand Pass Through Costs relating to Services provided to the Service Recipient	Third party costs that relate directly to the provision of Services to the Service Recipient where the costs have not already been included within the Charges associated with other Services. Examples include mobile phone provision and package costs, background screening costs and visas.

Table 6 - NGET to NESO OSAs

Reverse OSA (NESO to National Grid Electricity Transmission)

Reference	TSA Name	Description
OSA-rCNI-001	CNI Network	On Novation of the network services contract, the Service NGET was providing for CNI Networks transitions to NESO, who will provide the CNI Network Service to NGET.
OSA-rCHT-001	System Health Team	Provision of Critical National Infrastructure (CNI) System Health Team (CHT) Services to NGET's Transmission Network Control Centre (TNCC) & support of CNI Privileged Access Workstation (PAW) device administration, provision of physical device support (TNCC), site access management (Warwick), videowall assistance (TNCC) & any data backup solution support (Warwick).
OSA-rIEMS-001	IEMS	Infrastructure support (e.g. monitoring and support of Integrated Energy Management System (IEMS) servers and workstations, File Transfer), Application Support (operational interface activities with the Service Provider), Network support, Operational Change Management, Database and Displays, Data Historian.
OSA-rPSR-003	Additional project support for Separation and other	Provision of Project Separation Request support for additional projects required to support separation and additional knowledge transfer as required where that support would not otherwise be available.



	essential PSR project requests	
OSA-rCOR-003	OSA COR Request Support Service	Provision of access to Third Party Suppliers under the Commercial Order Request (COR) process for technical support services or technical and delivery resource augmentation.
OSA-rGSA-001	Contingency and Evacuation Arrangements	Provision of building infrastructure (at Control 2) to house the Service Recipient's Transmission Network Control Centre (TNCC) contingency.

Table 7 - NESO to NGET OSAs