BP3 Cost narrative

This annex sets out the material drivers of change in the TotEx of NESO. The TotEx has been developed following business engagement and executive review. The draft TotEx and drivers of change have been consulted on via the draft BP3 publication. No material feedback has been received that would change this plan.

In addition to the narrative provided in the publication there is a requirement for NESO to provide Ofgem with data tables setting out further detail on the change year on year across the RIIO-2 period. Ofgem published the data tables on 24 January 2025 and these tables will be submitted alongside the Final BP3 document. The completed data tables submitted to Ofgem are not published.

The BP3 TotEx lays the foundation of the corporate budget, the allocation of resource across the organisation, that will return to the Executive and Board in March 2025.

Following the creation of NESO and the commission of new roles by Ofgem, Central Government and Devolved Authorities NESO is in the process of building the infrastructure to execute these roles. In doing so it is working closely with stakeholders on these designs that will continue over the course of BP3. Where this is the case, the narrative identifies the nature of the cost together with the timeframe over which more certainty will be provided.

1. Executive summary

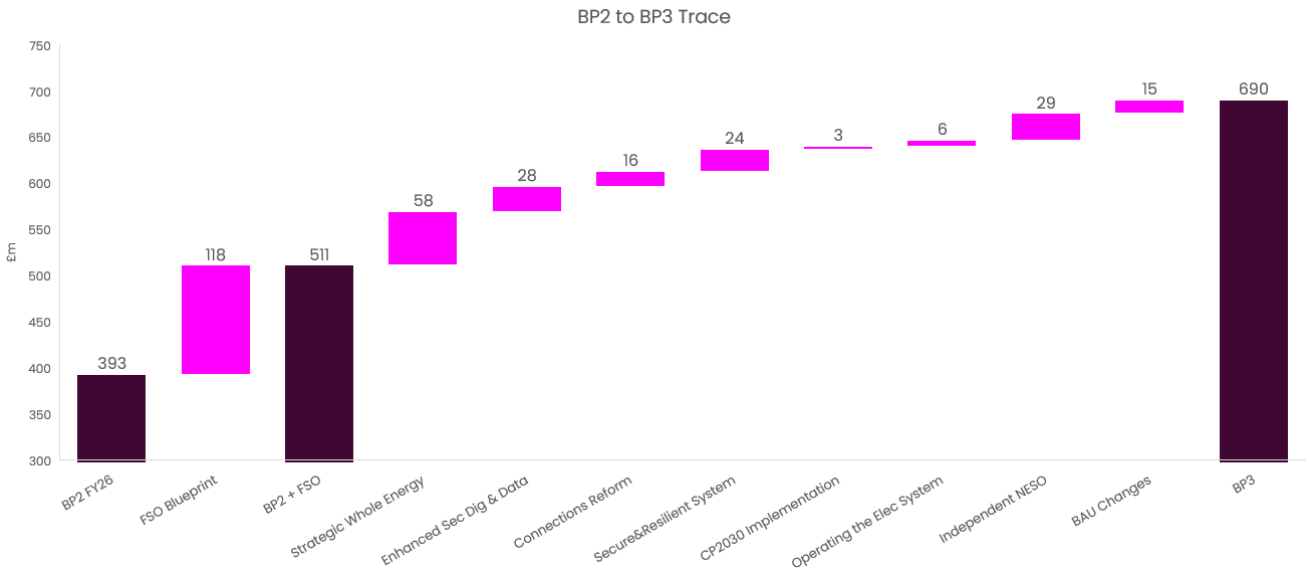
Our draft BP3 submission provided an overview of the £690m of TotEx we expect to spend in FY26 in delivering our performance objectives. We have reflected on feedback received through the consultation period and present below further detail of our underlying cost projections and the areas where costs have increased or decreased compared to our BP2 plan.

The table below sets out the TotEx for FY26 as per our final BP2 submission (£393m) and the costs as set out in our FSO Blueprint submission (£118m), totalling £511m. It also sets out our BP3 forecast TotEx of £690m for baseline (£609m) and FSO related activities (£81m).

It is important to note that Incremental costs of transitioning to NESO as outlined in the FSO Blueprint are now fully embedded in the costing of BP3 activities, so cannot be reported separately. Where costs for functions or activities vary to the sum of the BP2 baseline + the FSO incremental costs (iRTB), we have explained the key drivers of change within the relevant sections of the narrative below.

	Baseline + FSO	Baseline	FSO Day1/ Day 2	FSO Juliet	FSO Warwick Office	FSO iRTB	FSO Total
***BP2 (FY26)*:**							
Opex	**283**	**243**				40	**40**
Investment	**150**	**150**					**0**
CTA	**78**		34	21	23		**78**
BP2 + FSO	**511**	**393**	**34**	**21**	**23**	**40**	**118**
***BP3*:**							
Opex	**378**	**378**					0
Investment	**231**	**231**					0
CTA	**81**		55	26	0		81
BP3 + FSO	**690**	**609**	**55**	**26**	**0**	**0***	**81**
Variance	***179***	***216***	*21*	*5*	*(23)*	*(40)*	***(37)***

** - iRTB costs for the BP3 costings have been embedded within the relevant functions and activities, therefore included in the 'baseline' costs.*



Costs are presented in a nominal price base

The waterfall provides a trace between costs presented in our BP2 and FSO Blueprint submissions and the forecast spend for BP3.

Our forecast for TotEx has increased by £179m. The most significant drivers are due to new activities which are either activities assigned to NESO, or which have increased in scope since the prior plan. Furthermore, our plans for standing up an independent standalone organisation have been costed with much more certainty than could have been possible at the time of the Blueprint publication. The drivers for changes in forecast costs for each area are explained in detail below.

2. FSO Blueprint

Our FSO Blueprint set out an indicative cost of £263m to stand up an independent organisation outside of the National Grid group. Our cost estimates included provision for one-off costs (£212m) and enduring incremental costs (£51m) we expected to incur for new roles and dis-synergies associated with standalone enabling services. Cost estimates were based on high level designs and assumptions around scope of roles, separation timelines, dependencies and risk.

On 1st October 2024 (Day 1) NESO was created. Our one-off costs up to this point were £86m, which was within the range of costs indicated in our Blueprint. As at 1st October 2024 we delivered the following:

- **Establishing NESO as an Independent Whole-System Operator:** We designed and implemented new roles, processes, and systems, while building and recruiting the necessary new capabilities.
- **Creating a Robust Organisational Governance:** We put in place the essential organisational governance, including new licences, codes, and regulatory frameworks, to ensure NESO is set up for long-term success.
- **Building a Standalone Business:** We developed NESO as a fully independent entity, with its own enabling services, and managed the smooth transfer of people from National Grid, facilitated through a well-considered combination of building our own capability, Transitional Service Agreements (TSAs) and system cutovers.

We incurred £14m in incremental enduring costs up to Day 1, which was £5m higher than in our Blueprint due to our planned Day 1 date being 6 months later than expected at the time of our high-level design.

Throughout the time to Day 1, we worked closely with stakeholders including DESNZ and Ofgem on the performance of the programme, providing monthly performance reporting on delivery and cost.

Following the launch of NESO, our programme team has been disbanded and costs associated with new roles and standalone enabling services have been rolled into our underlying cost base.

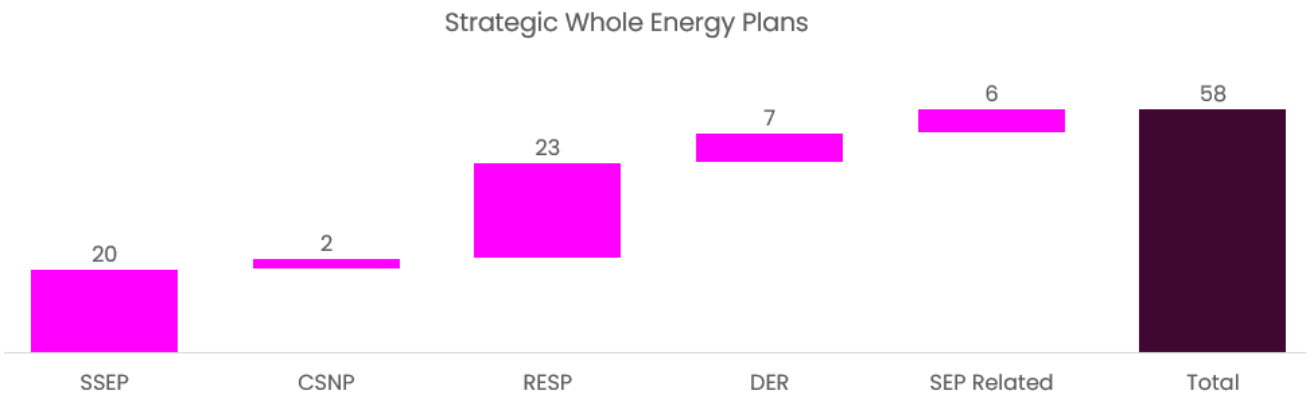
The following narrative adds Blueprint incremental costs to the baseline BP2 costs to provide a benchmark to explain whether costs are higher or lower than planned.

The remaining one-off costs to achieve full separation from National Grid systems (Day 2 costs) are explained in our Independent NESO cost variance.

3. Strategic Whole Energy Plans

NESO will work toward national and regional strategic whole energy plans that align to deliver a clean, secure and affordable energy system for the benefit of communities, consumers and society.

BP3 incremental spend



£m	Opex	Investment	CTA	Total
Strategic Whole Energy Plans	**16**	**19**	**23**	**58**
SSEP	8	12		20
CSNP	2			2
RESP			23	23
DER		7		7
SEP Related	6			6
Total FTE	**109**		**160**	**269**
SSEP	66			66
CSNP	35			35
RESP			160	160
DER	8			8
SEP Related	0			0

The Energy Act 2023 confers upon NESO, as the Independent System Operator, the new function of carrying out strategic planning and forecasting in connection with the development of transmission and distribution energy systems, the development of

pipeline systems for the conveyance of gas, and providing advice, analysis or information in relation to these matters.

NESO will also now be undertaking strategic gas network planning and building capability to undertake its future role in hydrogen strategic network planning to ultimately combine to produce a whole system energy plan. It will work with Government to produce a Strategic Spatial Energy Plan, bridging the gap between Government policy and energy infrastructure development plans, including engaging on wider work to map land and marine use, as well as wider planning reform. Ofgem also confirmed plans for NESO to take on new responsibility for implementing Regional Energy System Planners (RESPs) across Great Britain, tasked with strategic planning at a distribution level. We expect these approaches to all align and complement each other.

BP3 sets out the requirements, performance objectives and success measures of the new roles assigned to it under Strategic Spatial Energy Planning (SSEP) and Regional Energy Strategic Planning (RESP).

As the Strategic Energy Planner, NESO will act across the following three overarching roles:

- **Strategic Spatial Energy Planning (SSEP):** Working closely with the UK, Scottish and Welsh governments we will develop and deliver the first GB Strategic Spatial Energy Plan. The overall goal of the SSEP is to help accelerate and optimise the transition to clean, affordable and secure energy across GB by providing greater clarity to industry, investors, consumers and the public on the shape of our future energy system.
- **Centralised Strategic Network Planning (CSNP):** Our Centralised Strategic Network Plan will take a broad, whole energy system view to transform the pace and scale of our planning. CSNP will consider the networks needed to deliver the SSEP and include recommendations on gas, electricity and in the future potentially hydrogen and CCUS networks. For electricity it will consider onshore and offshore electricity transmission networks in Great Britain (GB) along with cross-border electricity interconnectors and offshore hybrid assets. For Gas, it will build on NESO's new role in gas strategic network planning.
- **Regional Energy Strategic Planning (RESP):** Currently, local energy network planning is conducted by local government, Gas Distribution Networks (GDNs) and electricity Distribution Networks (DNOs). When local and national energy networks are planned well, they can unlock local economies by creating new jobs and sectors; however, they can often be developed in silos or without a true understanding of local and national needs. In NESO's new regional energy planning role we will ensure energy networks are regionally coordinated across

fuel vectors and between geographies, with the right level of local input into the process as well as regional democratic oversight.

3.1. Strategic Spatial Energy Planning (SSEP)

The activity and costs outlined in BP3 are all incremental to NESO. SSEP was commissioned by DESNZ on 23 October 2024.

The FY26 plan sets out an incremental requirement of 66 FTE (c.£5m) supported by external parties c. £3m. Investments comprise of Geospatial & Locational Intelligence £6m and Enabling Technology and Data Infrastructure £6m.

In line with the commission received from UK, Scottish and Welsh governments, SSEP will:

- develop a methodology for centralised and strategic network planning;
- set up the SSEP Committee responsible for setting strategic direction, consulting on and adopting new methodologies and frameworks;
- assess optimal locations, quantities and types of energy infrastructure required to meet the future energy demand;
- deliver economic modelling to identify potential cost-effective locations for future GB electricity and hydrogen infrastructure. This economic modelling must take a whole systems approach and co-optimise electricity generation, storage and transmission (including GB interconnector capacity) and hydrogen production, storage and transportation to ensure outputs are compatible with the wider energy system;
- deliver strategic environmental assessments and technical engineering design input to give consideration of the cumulative impact of energy infrastructure build;
- deliver considerable societal, political and wider stakeholder engagement to understand the implications of the modelling results on the environment and cross-sectoral demands; and
- use the economic modelling, environmental assessment and expert engagement to create a set of "SSEP pathway" options. These options will be informed by engagement with the British public and interested parties, including industry bodies, NGOs and relevant local government associations. The purpose of this exercise is to ensure that the resulting publication reflects not only technical, environmental and economic considerations, but also takes account of dialogue with a wide range of stakeholders.

The SSEP will set out pathway options for how the system will look in the future and present them to the UK Energy Secretary following consultation with SSEP governance groups. The SSEP will directly feed into, and be published in time for, the Centralised

Strategic Network Plan (CSNP): a plan for transmission network infrastructure which NESO is also developing.

In determining the level of cost NESO has paid to consider the scope of engagement set and analysis anticipate across the UK to cover the following core activities:

- Economic assessment of options
- Environmental assessment of options
- Publication and methodology design
- Co-ordinating and delivering crucial stakeholder engagement:
    - Regulators
    - Central Government
    - Industry parties
    - Community and Public interest groups

Third party support costs are incurred for specialist consultancy firms to support the development of its Methodology. Additionally, we have utilised strategic delivery partners in the programme management of the development of the new SSEP capability.

3.1.1. IT Investments

Detailed analysis of NESO's IT Investment portfolio is provided in the Digital, Data and Technology Annex.

GeoSpatial & Location Intelligence *[Annex B section 4.1]* - £6m: In the BP3 period, NESO will launch new investment aimed at centralising and standardising geospatial technologies and relevant data across the whole of NESO. An enterprise-wide Location Intelligence (geospatial) platform will support the management and provision of accurate location data to decision makers and consumers to enable insights driven decision making. The forecast cost is based on current scope and requirements using current rates for internal and external resources, contracts and quotes for software licenses and hardware from existing investments.

It will deliver a strategic, centralised capability that enables NESO to harness location intelligence data to drive operational efficiencies and improve decision-making. The project aims to centralise and enhance spatial data analysis and provide robust mapping capabilities for NESO and its external stakeholders.

NESO will procure software that will have the technical capability to meet NESO's functional and non-functional needs. The platform will be scalable to ensure that it will be able to support the changes in the energy industry as we move towards Net Zero.

In selecting this option NESO considered:

- Time to delivery: a custom build solution would take significantly longer to develop and implement (9-12 months).
- Cost: A buy solution enables NESO to utilise the suppliers' resources to provide support and development. Leveraging existing supplier relationships enables NESO to deliver quicker at a reduced startup cost.

Enabling technology and data infrastructure *[Annex B section 4.6]*- £6m

As NESO, this new role will bring together the strategic energy planning of the gas and electricity networks for the first time and recommend a plan for energy and network solutions to meet decarbonisation targets across gas, electricity and hydrogen. Access to simple, clear and visual geospatial information across the whole energy system will be a first for the industry, enabled by advanced digital technology. The visual tooling will be supported by enhanced data management and platforms, scenario modelling and proactive knowledge management and training. Access to the data required when it is required can increase confidence in investments.

The forecast cost is based on current data points from the pilot, the outline projection for delivery supplier costs is in the region of £6m. Timescales and projected costs for the minimum viable product are subject to confirmation based on insight from the pilot and market testing through the competitive tender process.

3.2. Centralised Strategic Network Plan (CSNP)

The FY26 plan sets out the cost to achieve CSNP in FY26 with an incremental FTE requirement of 35 supported by external parties c. £2m primarily for legal and advisory work (in respect of environmental assessments). Forecast will be reviewed and revised regularly. The CSNP outputs are due to be delivered late in 2027. Forecasts will continue to be reviewed and revised throughout this period.

The objective of the Central Strategic Network Plan (CSNP) is to provide a comprehensive and coordinated approach to energy network planning. It aims to optimise system-wide opportunities, focus on strategic infrastructure, support environmental enhancement and align regional pathways with national targets and other strategic plans.

As progress is made towards net zero, we expect major investment across GB's electricity transmission network. The CSNP will ensure our network planning approach is appropriate given the level of change anticipated. It will provide an independent, coordinated, and longer-term (25-year) approach to electricity network planning while

seeking to accelerate the delivery of transmission infrastructure. It will consider the networks needed to deliver the Strategic Spatial Energy Plan (SSEP) and include recommendations on gas, electricity, and potentially hydrogen and CCUS networks in the future.

As part of the CSNP, our system analysis will extend to cover a wider scope of system requirements and provide a year-round view. We will take an evidence-based approach to assess a broad range of options against a range of assessment criteria and further ensure environmental issues are appropriately considered and consulted on through completing a strategic environmental assessment (SEA) and habitat regulations assessment (HRA). The CSNP will take a broad, whole energy system view to transform the pace and scale of planning.

CSNP offers several key benefits.

- It provides a coordinated approach to energy network planning, optimizing system-wide opportunities and reducing public uncertainty. By focusing on genuinely strategic infrastructure, the CSNP effectively manages complex interactions with stakeholders and policy decisions.
- It supports environmental enhancement by integrating assessments and public consultations, ensuring the plan's robustness. The CSNP also aligns regional pathways with national targets and other strategic plans, ensuring consistency across energy vectors.

3.3. Regional Energy Strategic Planning (RESP)

The FY26 plan sets out the cost to achieve (CTA) RESP in FY26 with an incremental FTE requirement of 160 (c.£15m) supported by external parties c. £8m primarily for specialist design and implementation, property costs for regional workspaces and other advisory work.

In November 2023 Ofgem gave NESO the role of delivery body for the new Regional Energy Strategic Planners (RESPs). The RESPs are being set up to provide consistency across distribution network plans, visibility of local needs across GB and alignment across energy vectors (methane, electricity, heat networks and hydrogen).

RESP will be responsible for delivering 11 Regional Energy Strategic Plans across Great Britain, putting whole energy systems planning at the core. The plans will cover all energy vectors; gas, electricity, hydrogen, heat networks and all energy uses; heat, transport, industry.

The regional RESP teams will work with organisations at a local level ('local actors') including local government and gas and electricity distribution networks, to improve understanding of the network infrastructure needed in different parts of the country to

enable regions to deliver their energy ambitions and unlock investment. Stakeholder engagement will be key to unlocking the benefits of integrated regional energy planning.

RESP will be responsible for developing and consulting on a Methodology by Q3 25, standing up our critical capabilities in the regions by Q3 26 and delivering our 11 aligned RESP's from Q2 27.

NESO has developed a full set of RESP costings including RESP implementation costs and the estimated future operational run costs. These have been calculated to provide input into the BP3 submission. Additionally, following the RESP consultation, Ofgem issued NESO a Request for Information (RFI) whereby these RESP CTA & RTB costs were provided on the 15th of November 2024.

NESO is at the early stage of RESP development having not yet completed the RESP high level design or developed the RESP methodology. Based on this NESO has uncertainty on costs given the impact the RESP design could have on headcount, IT costs and the overall cost of the RESP operation. Ofgems final decision on the role, structure and outcomes of RESP will be made in the spring of 2025, following this clear and concise plans will be able to be produced.

As a result of the uncertainties in what regional teams will need to do to deliver the RESP methodology, NESO has calculated headcount numbers based on an understanding of regional energy and socio-political landscapes for each of RESP's 11 regions. In modelling the indicative FTE headcount, increased complexity across regional indicators drives higher headcount. Headcount is designated as CTA but it is considered an on-going requirement. NESO also expects that regions may follow different organisational models, depending on their characteristics – e.g. sub-regional models in Scotland and Wales for example, but a centralised structure in other regions. This information has been provided to Ofgem as part of the RFI.

The high-level design of RESP, due for completion in Summer 25, will result in a more accurate enduring headcount for RESP, based on the methodology and the capabilities (headcount number and skills required) to deliver that methodology both regionally and centrally. To add to this, we are also starting work on regional baselines. This will give a better view on the different regional landscapes, not only in terms of stakeholders, but in terms of data and energy planning maturity.

RESP teams in the regions will be the face of NESO and facilitate a strong two-way communication channel between hub and spokes. Over the course of this business plan NESO will:

- implement RESP enduring capability within regional teams;
- implement enduring central structure;
- implement regional and national external RESP governance; and

- deliver the first Regional Energy Strategic Plans.

RESP will coordinate regional energy plans with national and cross-regional planning, in accordance with decisions made by Ofgem.

3.4. Distributed Energy Resource (DER) Visibility

This is an ongoing program aimed at enhancing the visibility of distributed energy resources within the energy system. We estimate a cost of £7m to conclude Phase 3 of the programme. The forecast cost is an estimate based on prior experience from earlier phases and programmes across strategic energy planning. The forecast would cover funding for the Core Enduring Team, Business Transformation, and Technology Transformation. We expect to be formalising our expected spending through our internal governance late in FY25. Further refinement of forecast will be reviewed as part of the on-going cost management process.

Our investment in DER will:

- secure industry buy-in to the programme roadmap through completion of DNO impact assessments; and
- Design and deliver the business and technology changes needed to deliver priority NESO use cases to begin to realise benefits.

DER Visibility requires an industry wide transformation to deliver improved visibility and usage of DER and CER (Customer Energy Resource) through NESO & DSO coordination. Our strategy is to collaborate with industry to agree the vision for DER visibility, a roadmap for delivery of the vision and to coordinate delivery of this roadmap within NESO and across industry, delivering tactical and strategic changes in parallel.

The Operational Visibility of DER paper identified consumer benefits of up to £150m per year from greater DER Visibility to NESO alone. Significant industry benefit is expected in addition to this including:

- standardised information and data sharing protocols for common data between DNOs, IDNOs and NESO;
- common architecture standards for dispatching between DNOs, IDNOs and NESO.
- primacy rules to manage conflicts between NESO & DNOs accessing services from DER & CER;
    - open data and architecture, in line with Ofgem guidance and cyber & information security; and
    - consumers are informed and actively engaged

3.5. Strategic Energy Plan (SEP) Related

An incremental provision of £6m in the forecast for reactive discovery work to minimise delays and impacts on broader objectives. This was not included in BP2 or FSO.

The recognition of this provision gives NESO the flexibility to enter the discovery of new roles. This high-level estimate is based on the anticipated volume of initial advisory and discovery work that NESO is expected to undertake on behalf of various regulatory and government bodies.

Allowing NESO this flexibility ensures that we can respond quickly and effectively to a changing environment ultimately benefiting UK plc and the industry as a whole. Any unused capital will be returned.

NESO expects to build these plans over the course of BP3 and will work with stakeholders and through its internal governance on this development and therefore the utilisation of this cost.

4. Enhanced Sector Digitalisation and Data Sharing

NESO will work with the sector to develop a unified digital ecosystem with transparent data access and stakeholder-focused solutions.

BP3 incremental spend

£m	Opex	Investment	CTA	Total
Enhance Sector Digitalisation and Data Sharing	6	22	0	28

NESO's plan for FY26 sets out an incremental FTE of 64 (at a phased cost for the year of £6m) to deliver enhanced technological capability and enhance industry coordination through better data sharing and improved data infrastructure.

Investments are discussed in further detail below

- Data Sharing £6m
- Digital Change £5m
- Contracts for Difference £2m
- REMA £1m
- AI £8m

NESO will deliver benefits by enhancing industry coordination through better data sharing, improved data infrastructure and the use of AI. It will also drive a collaborative approach to sector wide digitalisation. These improvements will enable greater transparency, better decision-making using consistent data, and a more effective and efficient digital transformation. Benefits will start to be realised during the BP3 period and will continue to grow in the medium and long term, as increased data sharing and transparency influence more decisions and processes, delivering greater consumer benefits over time.

NESO will collaborate with Ofgem, industry partners and experts to establish a task force and publish a report with recommendations on sector-wide digitalisation priorities. This report will guide digital transformation efforts across the energy industry, enabling the efficient and effective adoption of digital technologies. To achieve this, NESO will work closely with Ofgem to engage the right customer groups and set up roundtables to facilitate wider collaboration on digitalisation initiatives. NESO aims to publish this plan by the end of March 2026.

Following Ofgem's Consultation on the Governance of the Data Sharing Infrastructure NESO will fully implement the interim Data Sharing Infrastructure Coordinator role by September 2025. This role will oversee the implementation and management of the

data sharing infrastructure, ensuring its effectiveness and compliance with regulatory requirements. Success will be demonstrated by:

- delivering all NESO's DSI commitments;
- publishing the first yearly use case report for DSI; and
- publishing the sector's first digitalisation prioritisation plan as part of the Clean Power 2030 report.

Central to this plan, and the first step on the VirtualES strategic roadmap, is the delivery of the Data Sharing Infrastructure (DSI). The DSI will provide the foundation to realise the concept of connected digital twins by creating the digital services, standards and tools that deliver trusted, secure, resilient, scalable sharing of data across organisational boundaries of energy sector participants.

The development of the DSI will enable industry to standardise the way it shares data with those it requires to share data to and receive data from. This standard approach to sharing data will reduce time and effort in managing data sharing agreements and drive data standardisation across energy vectors.

The solution being developed has had significant expert thought and industry input towards its architecture. The DSI MVP is a direct response from the digital spine feasibility study, which in turn was in response from the energy digitalisation taskforce. The latter scoped the high-level concept, with the former going into deeper detail on the needs and benefits cases, along with a high-level design of the proposed solution.

Subsequently, NESO established collaboration with the National Digital Twin Programme, to explore elements of their solution, the Integration Architecture (IA) and how that matches up with the DSI high level design. Through this effort, the logical architecture of the DSI was developed and its specification was documented with reference to a data sharing user journey and an initial backlog of user needs for data sharing. The overall GDS approach allows for iteration and development as more is learned about the capabilities and their requirements, with the pilot and MVP scoped to provide assurance that the solution fulfils the needs of the market.

4.1. IT Investments

Detailed analysis of NESO's IT Investment portfolio is provided in the Digital, Data and Technology Annex.

4.1.1. Data Sharing Infrastructure *[Annex B section 4.6]* - £6m: The Virtual Energy System (VirtualES) programme is an ambitious industry-wide mission to digitalise our energy system in an architecturally coherent way to provide the enabling services for the transition to net zero. The objective of this is to facilitate the creation of an ecosystem of connected digital twins, which over time will include representations of electricity and gas assets and link up to other sectors. This network of connected digital twins will provide the basis for more complex multi-party scenario modelling in turn supporting more whole-system decision making. Central to this objective is the delivery of the Data Sharing Infrastructure (DSI). The DSI will provide the foundation to realise the concept of connected digital twins by creating the digital services, standards and tools that will deliver trusted, secure, resilient, scalable sharing of data across organisational boundaries of energy sector participants.

The Virtual Energy System programme is currently implementing a pilot of the DSI and is incubated within NESO's Innovation department, in collaboration with the National Digital Twin Programme led from the Department of Business and Trade, and supported by Ofgem and DESNZ. We have just entered the Private Beta phase of the DSI which is expected to extend through the whole of BP3 and will comprise of the implementation of the DSI pilot based on an operational planning use case, followed by the implementation of an MVP based on a strategic planning use case. The pilot will help unearth crucial feedback that will incorporated into the MVP development, before this is launched for early use in test mode by Network Partners.

Based on current data points from the pilot, the outline projection for MVP delivery supplier costs is in the region of £6m. This is in addition to continuing costs for the existing Virtual Energy System programme team.

Both timescales and forecasted costs for the MVP are subject to confirmation based on insight from the pilot and market testing through the competitive tender process. The forecast funds a core programme team for this investment, with the cost for in-depth impact assessment activities by impacted platforms.

4.1.2. Digital Change for NESO *[Annex B section 4.3]* - £5m: NESO is committed to driving digital improvements, both internally and for its customer facing services, to deliver against its Digital Mindset and Customer Centricity strategic objectives. To this end, NESO is proposing to make a number of digital investments and enhancements.

These investments will be delivered to drive digital enhancements to technology systems, platforms, processes and tooling across NESO. Further exploratory work will be conducted and further detail on the investments and the breakdown of the costs between them will be provided. Costs have been forecasted based on knowledge and experience from work completed in Innovation initiatives. It is important to note that this investment is separate from and supplementary to the necessary technology activities being undertaken to separate NESO.

- **Strategy & Policy**: NESO has identified a need for new technical capabilities that can better enable us to leverage the power of our data across the business. Investment will be focused on rationalising our technology estate to enable more advanced modelling, integration with our enterprise-wide Data and Analytics Platform (DAP), data sharing and customer engagement.

  There are a number of technical solutions we could employ but will ensure the responsible reuse of existing capabilities where possible. NESO will explore and identify the business requirements further in the discovery stage.

- **Customer**: To achieve our strategic priorities for Customer centricity, NESO will take AI powered Digital first approach to develop and enhance capabilities for Customer Operation (Servicing), Customer Engagement (inc. Communication) and Customer Management (inc. Relationship). NESO will leverage and build upon the current customer initiatives such as Self-serve capability, Automated query management etc. delivered in BP2.

  NESO aims to enable an aligned end-to-end omnichannel customer journey that is consistent across all customer engagement channels and systems providing our customers with the right information through guided insights.

- **Finance**: Implementation of new portfolio management software to consolidate delivery projects and programmes, providing a centralised

view across the portfolio, reduce duplication, and enable greater strategic portfolio management

- **People**: Exploration of technical capabilities across Strategic Workforce, Talent, Workforce data and Performance Management to drive efficient workforce management and improve skills and training across the organisation
- **Legal & Regulation**: Exploration of new digital capabilities and adoption of AI to improve case handling process, reduce manual processing, and improve efficiency

Forecast has been calculated based on knowledge and experience from of other discovery phases and implementing AI as part of innovation initiatives. Over the coming months, exploratory work will be conducted and further detail on the investments and the breakdown of the costs between them will be refined after completion of discovery phase.

4.1.3. Contracts for Difference (CfD) *[Annex B section 4.5]* - £2m: Appointed by the government, NESO is responsible for the CfD prequalification, disputes and allocation processes which run once a year with timelines defined by DESNZ. The Legacy EMR Portal has been used by the Delivery Body to fulfil its obligations for the CfD scheme, for the previous 6 CfD Allocation Rounds. The increasing application submission trend for each allocation round and recent customer feedback has highlighted performance concerns, impacting the delivery of the CfD scheme.

Technology used in the current platform is becoming aged and will be end-of-life in the coming years, affecting supportability, introducing security risks, and requiring significant investment. To improve customer experience, cope with increased future demand and address legacy technology limitations, the delivery of the CfD solution improvements will commence during BP3. However, further detailed analysis, design work and challenge review will be carried out to ensure the solution is fit for purpose as well as value for money.

Forecast has been calculated based on current known scope and requirements using current rates for internal and external resources, contracts and quotes for software licences from existing investments.

Forecast will be refined after completion of a full discovery phase (due Q1 FY26).

4.1.4. Review of Electricity Market Arrangements (REMA) *[Annex B section 4.4]*- £1m: The Review of Electricity Market Arrangements (REMA) is the government's initiative to reform the GB electricity markets to support the delivery of net zero and the decarbonisation of the power sector.

This new investment is a discovery activity to develop an understanding of the potential impacts on our systems. It will not deliver new technology capability but will enable future delivery programmes. Cost estimates are based on knowledge and experience from work complete on Electricity Market Reform (EMR).

Given the range of potential policy decisions by government the scale of change required within NESO remains highly uncertain and so as policy decisions are taken, this investment may need to flex in consultation with Ofgem.

Our approach during the BP3 period is to conduct discovery activities and impact assess policy decisions as and when these emerge. We expect information to come in a phased manner but are uncertain on the time scale of these. For this reason we have included a modest cost forecast which covers the opex costs to fund a core discovery team with a third of the cost for in-depth impact assessment activities by impacted platforms.

The investment will focus on all impacts from REMA, with major areas expected to include potential changes to wholesale pricing, scheduling & dispatch arrangements, Capacity Market, and Contracts for Difference schemes. The degree of focus required in each area depends on government policy decisions.

Artificial Intelligence (AI) - £8m: Adoption of AI is key to NESOs digital first approach to ensure we are efficient as an organisation and are advocates within the industry. The current forecasted investment of £8m is to complete a solid foundation, and establish the initial scoping and discovery work for transformational AI project delivery. NESO will explore whether AI and new platforms above those currently utilised can deliver improved efficiency and reduce case times. In the discovery phase, we will explore whether we can minimise time-heavy manual tasks and improve our case management approach and practice. By embedding AI and data analysis in our core operations, we'll leverage data to optimise our operations and enhance efficiency, while good architectural designs in our digital transformation work will ensure secure infrastructure and system reliability. The benefit of doing so will accelerate the deployment and effectiveness of new technologies.

5. Connections Reform

NESO will work with Ofgem, DESNZ, network owners and customers to deliver and implement a reformed connections framework that enables projects needed for 2030 and beyond to connect in a timely and coordinated manner.

BP2 Baseline

Our BP2 plan outlined the requirement for an additional 56 heads to adapt to new requirements driven by the growth in complex, low carbon and decentralised technologies and to support the review and reform of industry wide connections processes.

FSO Blueprint

There were no additional requirements outlined in our Blueprint.

BP3 incremental spend

£m	Opex	Investment	CTA	Total
Connections Reform	3	6	7	16

The total incremental cost of delivering the Connections Reform in BP3 to NESO is £16m.

Opex and CTA cost of the programme in BP3 is as follows:

- **Inhouse project team - £3m**: 34 FTE seconded to the programme to dedicate capacity and capability to drive change.
- **Third-party change management support - £7m**: providing capacity and capability across programme management, process design, data management, financial instrument design, financial modelling, legal counsel, PR, scenario testing, policy change, and implementation support.

This additional investment will implement the changes agreed as part of the Connections Reform programme, transitioning from the current 'first come, first served' approach to a 'first ready, first connected' approach to prioritise projects that meet the Clean Power 30 (CP30) plan.

Following Ofgem's decision on TMO4+ and methodologies (modifications submitted 20 December 2024), expected in March 2025, NESO will mobilise the implementation of the review process across NESO. By December 2025, NESO will have issued all revised offers with the Gate 2 evidence submission window open for new applicants expected in Q4 2025. To support and accelerate the successful implementation of this major industry change, NESO is creating a dedicated change team with external third-party change management support.

Based on our plan deliverables, NESO has created a programme structure and defined programme roles to ensure it has the required capacity and capability to deliver against key timelines and protect employee wellbeing. The resource profile includes internal subject matter experts seconded onto the programme, contractors, and external support via a competed Programme Consultancy Partner and additional support such as legal counsel. This provides the flexibility needed for this highly complex, fast-moving programme and assures programme delivery, mirroring the approach adopted on the FSO programme.

5.1. IT Investments

To support connections reform, we have provisioned £6m in technology investment for the BP3 period that will allow changes to support the reassessment of the existing connections queue and development of an enduring solution for new applications. Continued investment in digitisation will improve customer experience, deliver long-term efficiency savings, and ensure we prioritise the right connections applications to support the CP30 plan.

5.1.1. Connections Platform *[Annex B section 3.21]*- £6m: To achieve a fully customer centric digital approach for Connections, we will require further technological investment, with updated milestones to be defined post prototype delivery. This investment is likely to include:

- **Operational improvements and workflow automations** to improve efficiency, visualisation and transparency for internal and external stakeholders,
- **The ability to track and plan energy capacity**, ensuring a reliable and sustainable energy supply, thus optimising resource utilisation,
- **Integration with the Data and Analytics Platform** (DAP) to develop internal reports and APIs to handle data exchange with third parties.

Forecast is based on current scope and requirements using current rates for internal and external resources, contracts and quotes for software licenses from existing investments. No further investment is currently expected outside of FY26, handover to BAU is currently expected to by early in FY27.

6. Secure & Resilient Energy System

NESO will bring a whole-energy system approach to ensuring energy security and resilience for Great Britain.

FSO Blueprint

The FSO Blueprint included £21m for FY26 for a minimal contingency control room.

FSO Blueprint also included an estimate of £7m for the introduction of the Resilience and Emergency Management role for NESO.

BP3 incremental spend

£m	Opex	Investment	CTA	Total
Secure & Resilient Energy System	9	10	5	24

[INFORMATION REDACTED]

7. CP2030 Implementation

NESO will play a pivotal role in securing clean power for Great Britain by 2030 on the path to net zero by 2050. Building on our 2024 advice to government on pathways to a clean, secure, operable and deliverable electricity system, we will move to action and implementation in line with the government's CP2030 action plan

BP3 incremental spend

£m	Opex	Investment	CTA	Total
CP2030 Implementation	3	0	0	3

UK Government published its Clean Power 2030 Action Plan in December 2024 following NESOs independent advice. NESO developed a range of pathways, with expert analysis of the location and type of new investment and infrastructure needed to deliver it.

Our FY26 plan outlines a requirement for 44 FTEs to support new and accelerated power systems at a phased cost of £3m. This is a high-level estimate that will continue to be refined.

This additional capacity and capability will accelerate planning and development activities to enable CP2030 delivery:

- System access planning: Strengthening system resilience and operability
- Developing a tool and process to monitor delivery of network and generation projects to understand progress and to perform change control and impact assessments to support Mission Control.
- HVDC interoperability: Ensuring interoperability of High-Voltage Direct Current (HVDC) assets and their integration with onshore networks
- Distribution interface management: Managing the interface between Distribution Network
- Owners and Distribution System Operators
- Network compliance support: Assisting Transmission Owners in assessing a compliant network
- Technology deployment: Assessing the benefits and coordinating the deployment of innovative technologies
- Oscillations analysis: Continuing and accelerating the development of a deep understanding of oscillations
- Connection compliance: Enhancing the compliance process for new connections

The current estimate is based on experience, this will be continually reviewed and revised.

8. Operating the Electricity System

NESO will continue to maintain the safe, reliable and efficient operation of the electricity system, ensuring our electricity systems remain secure and stable today and in a future zero-carbon network.

BP3 incremental spend

£m	Opex	Investment	CTA	Total
Operating the Electricity System	3	3	0	6

8.1. System Operations

Our forecast for BP3 costs includes an additional 42 FTE within the system operations team at an additional cost of £3m. The key drivers of additional headcount are in our control room shift teams (9 FTE) and System Support and Insight teams (33 FTE).

The complexity of the electricity (and whole energy) system is increasing and will continue to increase as we support the transition to clean power, with a portfolio of more flexible assets, operated by a new, highly responsive customer base.

NESO is moving at pace, with a range of complex programmes to deliver the people, processes and systems we need to maintain a secure and economic system, whilst responding to our customers' needs.

Increasing capacity enables us to better utilise the data and tools we have available to us and provide our customer with the service the ned and manage operational risk and balancing costs.

8.2. System Operations Technology Enablement [Annex B section 4.8]- £3m:

This Investment focuses on discovery activities for initiatives aimed at improving operational awareness and operational transparency to allow control room operators to make more informed decisions in operational timeframes. This investment will not directly deliver the capabilities but ascertain how technology can assist in improving control room operations. This investment has four strands of discovery activity:

- **System Modelling Analysis:** investigate these data streams to develop an energy balance model and integrate this into existing systems.
- **Transmission Analysis Reform:** investigate systems and process that enable generation and demand forecasting.

- **Network Topology Optimisation:** discovery on the software that can optimise network topology and real time situational awareness.
- **Future of the Control Room:** discovery on the development of capabilities needed for safe, efficient operation of a decarbonised power system.

9. Independent NESO: Separating systems, processes and services

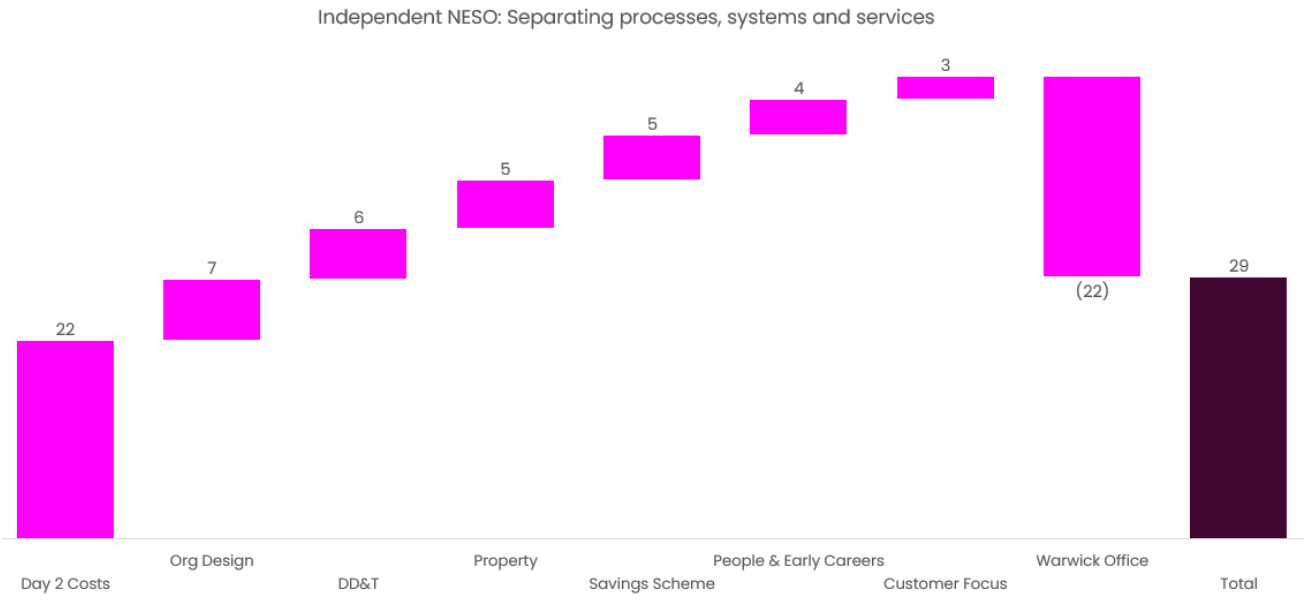
NESO will enable pace in its business operations and delivery through a successful exit from transitional arrangements with National Grid and by implementing NESO-specific digital infrastructure, systems and services

FSO Blueprint

The FSO Blueprint outlined the separation activities for NESO to become an independent entity, including an assumption that NESO would exit from the Warwick office.

BP3 incremental spend

£m	Opex	Investment	CTA	Total
Separating systems, processes and services	29	0	0	29



A key factor in our success is the parallel delivery of new technologies via modern platforms and architecture, while transforming our capabilities to operate at speed and improve user and customer experience. Implementing our own systems will provide the opportunity to deliver fit-for-purpose, data-driven capabilities, processes and systems.

9.1. Day 2

Our FSO Blueprint set out the indicative scope, plan, and costings for the activities required to establish an independent NESO and facilitate a timely separation from National Grid. The scope involved establishing NESO's own Physical and Cyber Security, Applications, Networks, End User Services, Digital Platforms, DD&T, HR, Finance, and

Procurement capabilities, separating from National Grid's shared foundational service model, and implementing a new Enterprise Resource Planning system (ERP) along with associated connected applications.

Our activities to separate data and systems from National Grid began in FY25 with some early day 2 foundation costs being incurred prior to NESO formation in October 2025. The remainder of the programme to separate has been sanctioned by our Board at a cost of £105m with an anticipated completion date of September 2026.

In developing our separation proposals, we challenged our original assumption to 'Lift and Shift' our current enabling services under the NG landscape, with further investment in a full transformation at a later date. We believe a better solution is to implement a new cloud service across our enabling service functions, thereby benefiting from modern technologies which are seeing heavy investment and innovation by market leader suppliers. This will provide opportunity to review, simplify and transform the business to meet the needs of a smaller organisation, whilst also providing greater stability.

Our preferred solution will require additional investment compared to our original Blueprint design but will deliver benefits earlier through streamlining and automating processes, enabling technological advances such as AI, increasing transparency of data to improve decision making and automating controls to manage, monitor and govern compliance and risk. We are forecasting an additional investment of £23m compared to our FSO Blueprint to deliver full separation, which will be offset by an estimated £35m saving in the long term by avoiding the need for a future transformation.

We are forecasting to incur £55m of the £105m sanctioned spend in the BP3 period. This is £22m more than in the Blueprint.

9.2. Organisational design

Our Blueprint design did not make provision for any incremental cost for a change in organisation structure. In January 2024 we restructured our leadership team to stand up an organisation ready to respond to our transition to NESO and support our new and expanding roles.

Our restructured leadership team is organised across more directorates than previously which reflects the breadth and scale of the organisation. This requires 4 additional senior leadership roles as well as a dedicated Chief Operating Officer. The total incremental cost for the expanded senior leadership team is £2m.

We forecast to spend an additional £2m for the capabilities to support Transformation and Major Projects. 17 additional FTE will support delivery of major programmes and a

further 7 FTE will support performance and change. This capability will be key to ensure we can deliver large scale projects safely and efficiently.

Costs for our legal and regulation teams are £3m higher than outlined in our Blueprint. An incremental cost of £2m is driven by the mix of resource required with more highly skilled resource required in the legal teams being offset by lower headcount requirements in the Early Competition Procurement Body team. We also anticipate an incremental £1m cost for outsourced legal support.

9.3. People & Early Careers

Total costs for our People and Early Careers teams are forecast at £14m for the BP3 period which is £4m higher than estimated in our Blueprint design.

The main driver of additional costs relates to our Early Careers team where we plan to develop 110 graduates, apprentices and trainees, which is 80 more than in our Blueprint at an estimated cost of £2m. The increase in heads reflects our strategy to develop skills and capabilities in-house, with new hires moving into business roles after a typical training period of 12 to 18 months. This provides a pipeline of talent for our new and expanding roles and reduces the need to rely on competing for skills which are often difficult to recruit in the external market.

Overall headcount in the business has increased by c. 1015 FTE since our Blueprint design. This has driven additional headcount costs of £3m across all our People teams as well as additional third-party costs associated with training, development and recruitment. Costs for death in service benefits and TSA services are also £2m higher than costed in our Blueprint submission.

These additional costs have been offset by £3m lower than expected costs to administer new separate pension and death-in-service arrangements for NESO.

9.4. Customer Focus

Our BP3 costs include a customer team of 31 FTE which is an increase of 19 FTE and £3m cost compared to our BP2 plan. This additional investment to transform our customer service operating model provides more effective query and relationship management and an overall better customer experience.

9.5. DD&T

Our BP3 costs include an increase of 71 FTE at a phased cost of £6m across delivery and functional excellence. Increases in roles advising and delivering on IT investments are driven by a number of factors including; increased business demand through strategic priorities and a reduction in use of flexible partner resource due to NESOs National

Security Vetting (NSV) requirements. Increase in functional excellence are to support the management and exit of TSAs, central delivery and workforce management.

9.6. Property

Property costs have increased by £5m compared to our BP2 submission. An increase of £2m is attributable to one off costs for a move to a new London office. We also have a higher number of leased properties driven by regional offices in Glasgow and Cardiff and two additional data centre sites, which drives an increase of £2m. There are £1m of additional running costs associated with existing sites driven by increases in service charges covering increased costs such as utilities.

Since 1st April 2023 and following the separation of ESO from National Grid, the organisation has been subject to business property rates, rather than network rates. As per regulatory guidelines business rates must be reported as TotEx, whereas network rates were historically reported within net revenue. We are awaiting a final ratings assessment but estimate that the cost of our business rates will be £1m per annum.

9.7. Savings Scheme

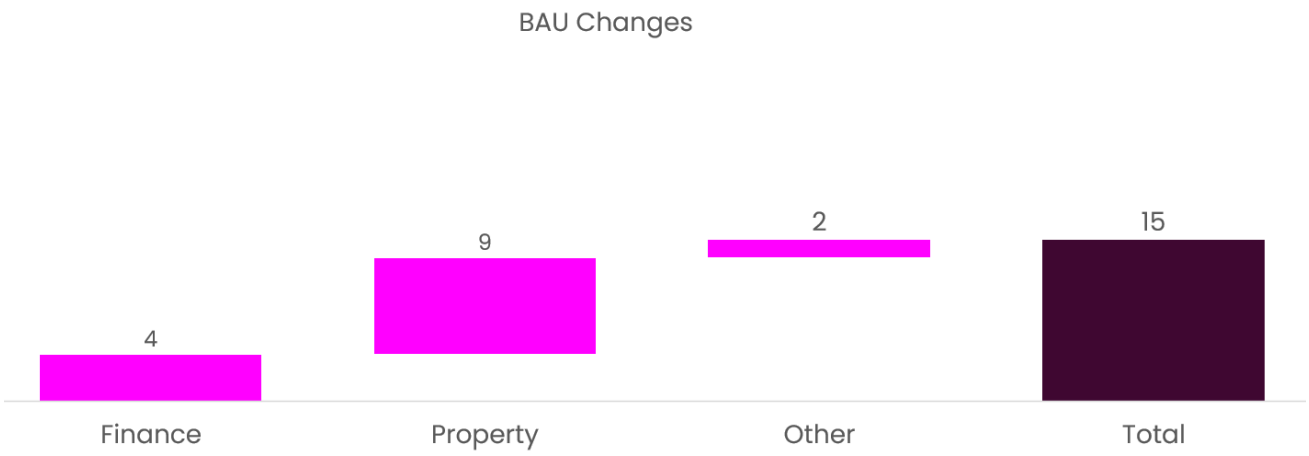
At the time of designing our Blueprint, we were not certain about how we would replace the benefits provided by the National Grid Sharesave scheme for our employees. We have now developed a savings scheme which will be rolled out in FY26 at an estimated cost of £5m per annum. Retaining such a scheme is an important part of our employee value proposition and will help us to attract and retain the talent needed as we grow the organisation.

9.8. New Warwick Office

Our FSO Blueprint assumed that the new organisation would exit the office facilities on the National Grid campus and relocate to a new location at a cost of £22m. We have since extended the lease on the current office space, deferring the requirement to invest in relocation.

10. BAU Changes

£m	Opex	Investment	CTA	Total
BAU Changes	6	9	0	15



10.1. Property

Our property investment costs are £9m higher for FY26 than in our BP2 plan. The key driver of this (£5m) is later than originally planned refurbishment costs associated with our Wokingham site. Our BP2 plan assumed that the programme of work would be largely complete by the end of FY25, whereas current plans are that work will finish towards the end of FY26. Our full refurbishment cost is expected to be in line with the amounts we set out in our BP2 plan. Refurbishment will deliver a new Atrium roof and upgrade employee workspaces, meeting rooms and rest areas to deliver a modern workplace which will help attract and retain our workforce. We have also provisioned a spend of £3m for FY26 for remedial drainage works which was an unknown cost at the time we developed our BP2 plans.

10.2. Finance

There is an increase in resource costs of £3m driven primarily by additional roles supporting higher levels of procurement and operational finance activity because of increased scope of change in business activities such as connections reform. We also expect to incur one-off higher audit fees of £1m in our first year of separation due to additional anticipated controls and compliance testing with a new audit partner.

Appendix 2: BP3 TotEx development process

NESO has assessed the requirements and prioritisation of activity that has been used to prepare a TotEx envelope for BP3. This sets the forecast within which NESO will provide run the business services and investment in new roles and enabling infrastructure.

These estimated costs have been developed as part of NESOs planning process that follows a traditional approach:

- **Business unit workshops:**
    - **Objective development**: working closely with support functions senior managers set out the key business unit level objectives and deliverables aligned to achieving the organisational Performance Objectives set out in BP3.
    - **Costs**: business unit objectives are then used as cost drivers to determine an estimated level of resource allocation (people, money and infrastructure) that is required to achieve objectives
- **Consolidation and prioritisation**
    - **Consolidation**: the outputs of Business unit workshops are consolidated to provide a total organisational view.
    - **Executive review and challenge**: following consolidation reviews are held between executive directors to review objectives and challenge underlying assumptions that drive resource allocation.
    - **Prioritisation**: a core part of the executive review is the prioritisation of activity and investment, selecting those that it is decided best supports NESO in achieving the Performance Objectives set out in BP3.
- **Iteration**

  It is typical that this is an iterative process with cyclical engagement between senior managers and Executive Directors, whilst also maintaining engagement with Ofgem and the independent stakeholder group. It is through this iteration that an inevitable high starting point is refined and reduced to a TotEx envelope that the Executive feel is a minimum requirement to deliver value for money.
- **Efficiency challenge**

  NESOs BP3 TotEx submission also includes an efficiency target that the Executive have chosen to include and allocated to business units, recognising that NESO continues to build and invest in new capabilities and resources to deliver its new mandate.

- **ROM cost estimates**

  Where BP3 sets out a new cost estimate, incurred for the first time during FY26, these at the time of writing represent a Rough Order of Magnitude (ROM) cost estimate and are subject to further stakeholder engagement and detailed design.

  All new allocations of resource are subject to NESOs governance process, in particular the development of a case for change that is supported by an assessment of available options (including do nothing or do minimum), benefit and cost assessments.

  As such whilst BP3 TotEx includes these ROM estimates and activities, no such investment will take place until the formal governance process has been completed.

  Changes to BP3 ROM estimates will be consulted upon with Ofgem as part of this process.

Appendix 3: Decision making governance

NESO has assessed at a high level, the deliverability of BP3 and, based on the assumptions, it has not identified any red flags. However, we are currently working closely with National Grid, DESNZ and Ofgem to establish NESO as a standalone entity at the centre of the energy industry. All three organisations have been engaged in the development of material aspects of BP3.

NESO employs a robust governance process in the development of its business plans that includes the following key steps:

- **Corporate Strategy:** The Board is ***accountable*** for the overall strategy and direction of the Company. It assures performance against its execution through effective corporate governance. The Board operates a forward agenda of standing items appropriate to the operating and reporting cycles and receives regular and timely information on all key aspects of the business, including risks and opportunities, operations, financial and regulatory reporting, market conditions, relationships with regulatory bodies and human resources, legal, compliance, and regulatory matters, supported by a KPI Scorecard allowing supervision of performance against our strategic initiatives. The Board is prepared for meetings through the review of detailed pre-read materials and pertinent updates between meetings, where relevant.
- NESOs purpose is "Forging a path to a sustainable future for everyone" with a vision of "A future where everyone has access to reliable, clean and affordable energy; our work will be a catalyst for change across the global community." In support of setting the direction of the company six strategic priorities have been set:
    - **Clean Power:** We will enable a zero-carbon **electricity** system by adopting a whole system approach, encouraging innovation and collaboration.
    - **Decarbonised Energy:** We will develop integrated plans for a decarbonised, efficient and flexible **energy** system fit for the future.
    - **Consumer Value:** We will have unlocked around **£3 billion** of consumer benefits by 2026 through delivery of our commitments.
    - **Customer Centricity:** We will understand and balance the different needs of our customers to form meaningful partnerships.
    - **Digital Mindset:** We will unlock the potential of technology and teamwork through a digital-first approach, enabling a future of seamless connectivity and innovation at pace.

- **People Value:** We will invest in our people, to ensure we are prepared and empowered to embrace the opportunities of the future.

- **Business Strategy:** The Executive Committee is responsible for governing the effective execution of the corporate strategy, the allocation of resources to it and tracking performance against it. The Operating Committee is responsible for delivery of the business plan and the commitments within it.

  From the corporate strategy leaders within the organisational design set:

  - **Business objectives:** specific measurable steps defined to achieve strategic goals. These are developed through a series of workshops with business leaders ensuring objectives and goals are aligned.
  - **Investment requirements:** specific investments in the operating model require to achieve business objectives. These include investments in infrastructure, technology, people and processes. These are developed through collaboration across the business ensuring the operational directorates are effectively supported by corporate functions providing these services.
  - **Success Measures:** indicators of performance that are reported and tracked through the governance arrangements in NESO. These include operational measures, financial measures and investment delivery.
  - **Key deliverables:** specific outputs provided to stakeholders of NESO that are a core function of the service NESO provides.

Industry collaboration

NESO employs a collaborative approach with stakeholders in the development of its Corporate Strategy and Business Plan. Through regular formal engagements a draft business plan is developed that is consulted on ahead of formal submission to Ofgem.

It is through this collaborative approach that NESO ensures it is delivering on behalf of its stakeholders and primary and secondary duties.

Feedback through the consultation process is taken onboard and reflected in the final business plan submission.

Governance model and decision making

A core part of the iterative approach to developing NESOs Corporate Strategy and Business Plan is the governance and oversight model deployed.

The core elements of the plan as outlined above are submitted to the Operating and Executive Committees for approval, ahead of submission to the NESO Board.

During the process of creating BP3 the Board and Committee were engaged throughout its development allowing opportunity to shape the final outcome.

NESO is acutely aware that a rapidly evolving energy landscape means it will need to continually reassess where it is directing its resources to ensure it optimises overall delivery. It is mindful of the level of transformational change required to deliver the ambitious proposals in BP3 while at the same time continuing its separation from National Grid plc and establishing NESO. NESO deploys a rigorous governance cycle to oversee performance of the business and support decision making in line with the Board approved delegations.

- **Board**: Corporate governance starts at the top of the organisation with the responsibilities of the Board. The Board of Directors must act following the four principles of governance - accountability, transparency, fairness and responsibility - always seeking to act in the best interest of stakeholders, shareholders and the organisation as a whole. The Board sets our strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. The Board sets our values and standards and ensures that its obligations to its shareholders and others are understood and met
- **Delegations of Authority**: The Delegation of Authority (DoA) covers both leadership responsibility for decision making as well as financial authority for committing or using our resources. These delegations set out the authority for day-to-day business operations and allow us to enter into agreements with other unaffiliated organisations which may result in an obligation by us.
- **Executive Committee (ExCo)**: Led by the Chief Executive Officer (CEO), the Executive Committee sets the shape and direction for NESO. It allocates resources to deliver the organisation's goals and tracks performance.
- **Operational Executive Committee (OpCo)**: Led by the Chief Operating Officer (COO), the OpCo is responsible for delivering the operational transformation of the business and ensures delivery across our business plan commitments.
- **Sanctioning Committee**: Sanctioning is a sub-committee of ExCo, chaired by our Chief Financial Officer (CFO). Its key activities include reviewing the overall portfolio financial position, considering whole life sanctioning of new projects, and reviewing change requests.
- **Security Committee**: The Security Committee, chaired by the CEO, ensures that cyber and physical security strategies align with NESO's appetite for risk, and that security activities are given proactive sponsorship.

- **Business Performance Review (BPR)**: is a monthly executive review of performance across business-as-usual activity, investments and cost to achieve. Against key priorities performance is assessed, risks are escalated and mitigating actions agreed.
- **Portfolio Review Board (PRB)**: The PRB is the single point of oversight for all projects, reviewing portfolio alignment to strategy, project delivery and prioritisation. It is chaired by the Chief Financial Officer and reports to OpCo.
- **Monthly Performance Management:** in addition to the above NESO employs a formal cadence of performance reviews across risk, finance, procurement, people and project delivery. Performance is measured against a corporate baseline captured and agreed by the Board as part of the planning process.