

# National Energy System Operator (NESO) RIIO-2 Business Plan 3 Draft: Consultation

## *National Grid plc response*

**This response to NESO's "RIIO- 2 Business Plan 3 Draft" dated 02 December 2024 (the consultation) is from National Grid plc (NG), on behalf of our transmission business, National Grid Electricity Transmission (NGET), our electricity interconnector business, National Grid Ventures (NGV) and our electricity distribution business, National Grid Electricity Distribution (NGED).**

We welcome the publication of NESO's draft BP3 which includes a more holistic and strategic approach to identifying the key areas of activity through the identification of eight key Performance Objectives and we are supportive of the areas of focus identified for the Performance Objectives.

With its broader remit, and increasingly central role in supporting delivery of the Government's ambitious decarbonisation goals for the power sector, it is crucial that NESO delivers timely, quality outputs that can be taken forward by other industry parties with confidence and at pace. We believe that establishing a clear mechanism to assess the quality and effectiveness of planned publications listed as 'Major Deliverables' would add significant value to the current proposals. This approach would enhance accountability for the outputs and ensure success is being measured not only by timely delivery but also by the impact and quality of the deliverables.

As the role of NESO grows, we are cognisant of NESO's internal capability and resource and the need for coordination across the Performance Objectives. We would be grateful for the inclusion of further detail on how NESO is setting itself up for success, both in terms of capability, prioritisation and collaboration across the teams where programmes of work have overlaps and synergies. For example, ensuring that strategic plans and connections reform are aligned is of vital importance.

As well as internal collaboration and alignment, NESO must be outward facing, and stakeholder driven if it is to fulfil its role in driving the transition to Net Zero. Accordingly, we believe embedding a mechanism for effective measurement and integration of stakeholder feedback, as well as transparent decision-making processes, is vital for effective industry engagement, stakeholder satisfaction and ultimately the delivery of the best outcomes. As NESO establishes itself as an independent advisor, it will also be essential to build trust with stakeholders by ensuring that advice is objective and robustly derived. Stakeholders need to be confident that NESO is managing potential conflicts of interests and incorporating feedback to provide unbiased advice that serves the best interests of the energy sector and consumers. Furthermore, as NESO evolves to take on its new responsibilities it is essential that industry and stakeholders have clarity on where accountability lies for decision making and which organisation is responsible for which roles. This is particularly for the interactions between Ofgem, NESO and Government.

To address these themes, we suggest the inclusion of an additional Performance Objective in this Business Plan on 'Embedding the NESO', covering aspects on organisational roles and responsibilities, management of potential conflicts of interest and a focus on building NESO's reputation, brand and trust with stakeholders. NESO must leverage industry expertise and collaborate across a wide range of stakeholders if it is to succeed in delivering its new and expanded remit.

The BP3 period is pivotal in industry's collective progression towards Clean Power 2030 and beyond. To effectively fulfil our role in delivering major infrastructure projects, we have the following key priorities for NESO to achieve in this BP period:

- NESO should focus on maximising opportunities to reduce the significant current (and) forecast level of system operation costs (balancing and constraints) to lower customer bills, reduce carbon emissions and support accelerated delivery while continuing to operate the system safely and efficiently;
- NESO should acknowledge its central role in implementing Clean Power 2030. In particular, ensuring system access activities enable TOs to deliver the increased volume of infrastructure over the coming years is essential; and
- NESO must ensure that the processes and methodologies of the CSNP, SSEP and RESP are robust and enable outputs to be endorsed in planning. This includes ensuring that the necessary statutory assessments are conducted to support TOs and DNOs to deliver the outputs with confidence and at pace.

With regards to the specific proposed Performance Objectives in the draft BP3, we have the following key points to raise:

- The tCSNP2 refresh is missing as a Major Deliverable from 'Whole Strategic Energy Plans'. We understand that this is due to be published in January 2026 and is a key step in unlocking investment for a tranche of transmission infrastructure for delivery into the 2030s.
- We understand that the 'Clean Power Implementation' objective is presented at a very high level due to the Government decision being published after this consultation. However, we do not agree that the publication of a delivery plan is a suitable KPI and would welcome further details of the proposed timelines for consultation and publication for the 'Comprehensive NESO 2030 Delivery Plan'. Ensuring that industry has sufficient time to meaningfully engage and contribute to shaping the strategies is essential to ensure that the target the right areas and will deliver the required outcomes. As per our key priorities, one area of focus should be the evolution of system access to enable TOs to deliver the scale of infrastructure required on time.
- The KPI for 'Connections Reform' does not adequately addresses distribution network customers. Equitable treatment between distribution and transmission network operators should be demonstrated by the target for Gate 2 offers being extended to include DNOs and not just TOs in this critical period.
- The Performance Objective 'Operating the Electricity System' does not clearly outline how NESO will effectively drive down the costs of system operation. Ensuring affordability for consumers during the transition to net zero is essential. To this end we suggest that NESO implements a KPI for reducing balancing costs that would enable progress to be measured and appropriately incentivised. Additionally, the importance of collaborating with TO's to accelerate cost reduction in the BP period should be more prominently emphasised in the publication.

Our specific comments for each proposed Performance Objective are summarised in response to Question 3 in Appendix 1.

We recognise that the framework for regulating NESO is evolving and we continue to be supportive of stronger reputational incentives to drive the right outcomes; we believe that the incentives of NESO senior management should be linked directly to the Performance Objectives in future regulation of NESO performance.

We look forward to further engagement on Ofgem's evolving regulatory framework so that it can enhance future NESO performance and support NESO in defining and achieving its objectives. We are happy to discuss our response to this consultation and look forward to working collaboratively with the NESO in the next Business Plan period and beyond to help deliver the energy transition.

## Appendix 1 – Consultation Questions

### 1) Do you agree with our proposed package of Performance Objectives? If not, what alternative Performance Objectives should we consider and why?

We broadly agree with the proposed package of Performance Objectives, which address the key strategic priorities that NESO need to tackle in the next BP period. To ensure the plan is best designed to progress towards Clean Power 2030, we suggest incorporating stronger success measures to support the achievement of these high-level objectives.

Appropriate success measures should enable performance to be measured, and for NESO to be held accountable where performance expectations are not met. Currently, it is unclear how it will be determined whether deliverables, such as the publication of strategic energy plans and the 'NESO 2030 Delivery Plan', will be assessed on their quality and deliverability. This assessment is essential for industry to have confidence in the quality and deliverability of the outputs. Key Performance Indicators (KPIs) should serve as additional quantifiable measures used to evaluate the NESO performance with respect to each objective and help to determine whether it is delivering on its commitments.

For improved clarity and accountability, it would be beneficial to provide more detail on how each Performance Objective contributes to the four broad categories of outcomes identified in the consultation: lower bills for consumers than would otherwise be the case, ensuring system security and reliability, supporting net zero, and improved industry coordination. Where appropriate, measurable metrics should be added alongside explanations of how each Performance Objective achieves the respective broad outcome. For example, the inclusion of a KPI for balancing costs could demonstrate a relative decrease in consumer bills.

Following Ofgem's decision to require NESO to produce and publish the BP3 performance tracker it is also unclear how the Performance Objectives will be tracked within this. We would welcome further detail on how NESO envision capturing performance on this tracker in practice i.e., will it track the delivery of success measures, KPIs or both.

We understand that the proposed Performance Objectives are focussed on NESO's delivery in the period from April 2025 to March 2026 and that this new approach to regulating the NESO and measuring performance is still evolving. We agree that associating timeframes to the realisation of core benefits is a sensible demonstration of how the milestones for the next business plan period align with longer-term goals. However more detail is required to explicitly understand how achieving each Major Deliverable will contribute to the overarching decarbonisation targets in future business plan periods.

Moreover, we suggest the inclusion of an additional Performance Objective in this BP focussed on 'Embedding the NESO'. This objective should cover work to establish clearly NESO's roles and responsibilities alongside other key organisations (such as Ofgem and DESNZ), the management of potential conflicts of interest and how NESO is building its reputation, brand and trust with stakeholders. We believe this additional Performance Objective is vital, at least for the next business plan period to establish NESO's central role in the industry and to facilitate the required collaboration across organisations to deliver timely and successful outcomes.

- 2) Do you agree that BP3 represents a stretching level of ambition and will deliver benefits for consumers? Please provide supporting reasoning and identify any specific changes to this plan that you believe would better meet these objectives.**

Collectively the package of deliverables for the next BP period represents an ambitious plan. However, in line with our response to question 1, it is crucial that the deliverables for each Performance Objective are of sufficient quality to produce outputs that can be taken forward by industry with confidence and at pace.

For NESO to deliver on its broadened remit, and its central role in delivering the transition, it must be more ambitious in enabling the rest of industry to deliver. For instance, the publication of a 'Delivery Plan' for Clean Power 2030 Implementation must consider the NESO's role in providing system access to TO's to be able to deliver the volume of infrastructure required to achieve the outcome.

Delivering on such ambition crucially depends on whether NESO is set up for success both in terms of resources and capability internally, as well as being able to leverage the necessary skills and expertise of the wider industry to deliver high quality and robust outputs that can be taken forward with confidence. For example, publication of the 'SSEP pathways document' does not guarantee NESO's role in creating robust strategic plans that can be endorsed in planning. Industry needs to be confident in NESO's ability to fulfil its role and to foster this confidence, meaningful stakeholder engagement is needed, as well as inclusion in the performance objectives of metrics to measure and check that outputs are of sufficient quality.

More detail is needed on how each of the Performance Objectives explicitly delivers value for consumers with the inclusion of measurable metrics where appropriate. For instance, including a KPI on reducing balancing costs would demonstrate how NESO is actively addressing affordability and make NESO more accountable for driving efficiencies in this area.

- 3) Have we identified the most important Major Deliverables and relevant Success Measures for each Performance Objective during BP3? Please detail any alternative options we should consider, including anything that you believe we have missed or specific changes to our existing proposals.**

Overall, we agree that, in most cases, the major deliverables are captured for each performance objective. However, we believe that further refinement is needed to develop more specific and measurable success measures, and where possible and appropriate, introducing measurable KPIs. For example, simply committing to delivering a plan does not ensure that the plan is a quality deliverable.

In addition to the Performance Objectives identified in the consultation, we suggest the addition of a further Performance Objective on 'Embedding the NESO' covering aspects on organisational roles and responsibilities, management of potential conflicts of interest and a focus on building NESO's reputation, brand and trust with stakeholders. NESO must leverage industry expertise and collaborate across a wide range of stakeholders if it is to succeed in delivering its new and expanded remit.

Our specific comments on the individual Performance Objectives are summarised in the table below.

Performance Objective	Specific Comments
<p><b>Strategic Whole Energy Plans</b></p>	<p>Publication of the SSEP pathways document is not a KPI, this should be listed under major deliverables.</p> <p>The success measures for these deliverables should be focussed on the quality and deliverability of the respective plans. This could, for example, involve a third-party, independent assessment of the process followed to arrive at the outputs, including how stakeholder feedback has been incorporated. A qualitative assessment of industry’s confidence in being able to take the plans forward would also provide useful insight into the quality and deliverability of the outputs.</p> <p>There should be explicit consideration of NESO’s role in ensuring that these methodologies are robust enough to allow the outputs to be endorsed in planning, thereby supporting TOs to deliver the required infrastructure at pace.</p> <p>The tCSNP2 Refresh needs to be added as a major deliverable, as the final output is expected to be published in January 2026 and will be an important milestone in giving clarity on investments out to 2035 and beyond.</p> <p>To support timely progress, we believe that streamlining the timeline between publishing the SSEP pathways document and finalising the SSEP would allow for more time to effectively develop options for the CSNP, using system requirements informed by the SSEP.</p>
<p><b>Enhanced Sector Digitalisation and Data Sharing</b></p>	<p>Effective digitalisation is pivotal in this Business Plan period to be able to deploy and scale new grid enhancing technologies quickly and reduce system operation costs.</p> <p>Data sharing can reduce the number of speculative connection applications by connections customers utilising a single source to understand key data points at the pre-application stage. Key data points should include the location of available capacity, an indicative view of connection timescales and the likely level of reinforcement and cost associated to connection types.</p> <p>We would appreciate further clarity on how NESO plans to implement the ‘Sector Digitalisation Plan’ taking into account the updated systems previously developed and funded as part of each operators’ digitalisation strategies.</p> <p>Additionally, it would be beneficial for a centralised platform to capture ongoing customer feedback through quantitative success measures such as hit rates, download statistics and API hits.</p>

<p><b>Operating the Electricity System</b></p>	<p>Affordability for consumers is of key importance during the transition we are embarking on. For NESO to effectively drive down the costs of system operation, suggest that NESO implements a KPI for reducing balancing costs that enables progress to be measured and appropriately incentivised. Additionally, the importance of collaborating with TO's to develop strategies that accelerate cost reduction in the BP period should be more prominently emphasised in the publication.</p> <p>With interconnection with Europe at 10GW and rising through the BP3 period we would welcome the recognition of the importance of effective planning and coordination with European Governments, regulators, TSOs and UK Interconnector TSOs. Such coordination should be more holistic than the singular mention of 'implementing ramp rates', particularly in light of Ofgem's recent decision on a similar proposal in Grid Code Modification GC0154.</p>
<p><b>Connections Reform</b></p>	<p>It is not explicit that the KPI of '100% of projects that enter the Gate 2 queue window in May will have offers by the end of March 2026' applies to all transmission and distribution offers where NESO has a role to play.</p> <p>We would welcome further detail of the contract reissuing process and the determination of how projects are prioritised when receiving new connection timescales.</p>
<p><b>Fit-for-Purpose Markets</b></p>	<p>Development of the Whole Energy Market Strategy would benefit from early engagement sessions with the wider industry to capture issues and perspectives, as well as securing the independence of the strategy.</p>
<p><b>Secure and Resilient Energy Systems</b></p>	<p>Noting the upmost importance of energy stability in this period, we question whether having a '95% target' for this KPI demonstrates sufficient ambition.</p> <p>Furthermore, it is currently unclear if the Energy Resilience Assessment will focus on transmission networks or will include distribution. In all cases, a clearer understanding of the necessary requirements from DNOs and TOs to deliver the Electricity System Restoration Standard is essential as well as ensuring there is time to reflect any additional work required, and associated spend, in business plans.</p>
<p><b>Clean Power 2030 Implementation</b></p>	<p>We would welcome further detail of the timescales for consultation and publication of the 'Comprehensive NESO 2030 Delivery Plan' to ensure sufficient time for industry to meaningfully engage and contribute to the 'required strategies' that should be in place. We do not agree that this is an appropriate KPI and should be considered as a major deliverable.</p>

	<p>NESO must recognise the central role it holds in enabling CP2030 to be delivered. A key area that must be considered is the increase in system access required by TOs to deliver the required infrastructure. This is likely to require a different approach to risk if collectively we are to achieve the targets. It is important that major deliverables for this objective we want to be sure of NESO's commitment in providing system access to enable TOs to deliver the large-scale infrastructure.</p>
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**4) Are there additional measures or steps you would expect to see to demonstrate our success in engaging with stakeholders and ensuring feedback is fully considered during BP3 activities? Please provide specific examples where relevant.**

In addition to our recommendation to implement a Performance Objective on 'Embedding the NESO' which would support the proactive measurement of the NESO's reputation, clarity on roles and responsibilities and trust of stakeholders, we would welcome further detail of how NESO intends to demonstrate transparent and robust decision making through the performance tracker.

We would also appreciate a detailed definition of what constitutes a 'broad range of stakeholders', including the types of stakeholders involved, how many and how NESO will effectively engage.

Moreover, we would like reassurance that the consideration of feedback translates to tangible incorporation of stakeholder input or a justifiable explanation for any feedback not implemented. To address this, we recommend increasing the timescales for consultations to allow for adequate consideration of stakeholder input, we feel this has not been the case in recent consultations, particularly around CP2030 and Connections Reform.

We would also like to emphasise the value of early collaboration to help shape the development of NESO's processes and approaches, leveraging industry expertise to deliver the best outcomes for consumers and to support more meaningful engagement during formal consultations. The industry will collectively deliver the best outcomes if NESO share data, explains how decisions are made, seeks challenge from industry partners and shows how stakeholder inputs are taken on board. Transparent and open engagement will also help build trust and allow NESO to establish itself as an independent expert body.