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## ADE DRAFT RESPONSE NESO RIIO-2 BUSINESS PLAN 3 9<sup>TH</sup> JANUARY 2025

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### Context

On behalf of our mission Empowering Energy Demand, the ADE welcomes the opportunity to respond to this consultation on NESO's RIIO-2 Business Plan 3.

Our mission is to embrace the value of a decarbonised, demand-led energy system, creating a future where households, businesses and industry are properly rewarded. The current electricity system is creaking under the demands of a rapidly changing system. We must harness the millions of EVs, heat pumps and the immense industrial demand we have right now to lower bills and keep our electricity system operable. Instead, we're fighting against them. Even more than that, industrial energy is decarbonising with long-term consequences for our energy system – creating new infrastructure and unlocking even greater sources of flexibility. The Government, Ofgem, the CCC and others all recognise that households, businesses and industry should play an active role in a decarbonised electricity system. Now is the time to make this a reality.

### Summary

All points made in our response must be read in the context of our Demanding More report. Whilst in principle we agree with the objectives set out in the document, NESO needs to provide clarity on how these objectives will be achieved given the current barriers to participation in the flexibility marketplace. Specifically, how NESO intend to achieve Performance Objectives 3: Operating the Electricity System, 5: Fit for Purpose Markets and 7: Clean Power 2030 implementation. Given the current delays in the operational metering work, the lack of consideration of DSR in the skip rates methodology and overarching barriers set out in the recent Routes to Market Review, how these issues will be fixed to achieve these objectives is required.

NESO must also set out how BP3 will be adapted to the goals set out in the upcoming Industrial Strategy, particularly on energy, infrastructure and connections reform beyond the Digitalisation objective. The objective on Connections reform is a welcomed step in the right direction to create and implement an approach to accelerate demand connections for transmission connected demand projects (and not distribution). This approach needs to be applied to distribution connection reform in the future.

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

We agree with the Performance Objectives that have been set out, with the caveats set out in question 3.

### **Question 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.**

In principle we agree that the objectives are ambitious, yet for the reasons set out below question the deliverability of some objectives and therefore the benefits that consumers will receive.

**Question 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.**

On performance objective 1, we emphasise the importance of coordination between the Spatial Strategic Energy Plan (SSEP) and Central Strategic Network Plan (CSNP), particularly regarding the role that flexibility has to play as a non-network strategic solution to achieve whole energy system objectives. It is positive to see Gas as a vector is now being considered alongside other strategic spatial energy plans and that the Gas Options Advice Document (GOAD) will be formed and implemented in parallel with the Regional Energy Strategic Plans (RESs), the Strategic Spatial Energy Plan (SSEP), and the Centralised Strategic Network Plan (CSNP). Regional Energy Strategic Planners must also be established so that energy demand utilisation is at the heart of their remit and outlook, that industrial decarbonisation through a variety of pathways is well understood and modelled and that heat network zoning and the flexibility heat infrastructure can provide is considered.

On performance objective 3, despite agreeing with the general principle of the objective and the Major Deliverable 'Reduce skip rates in line with the dispatch strategy' NESO must consider how achievable this is given the work that has been undertaken thus far. Following the methodology report having been published with no mention of the impact skip rates have on demand side response or flexibility procured through a Virtual Lead Party (VLP), we fail to see how the aims of increasing competition and enhancing control room products and processes will be achieved. Whilst we are pleased to have seen the improvements that have been made as a result of the introduction of the Open Balancing Platform (OBP), skip rates remain high (as set out in the report) and complaints have continued, including in the Power Responsive 300MW derogation for small assets in the Balancing Mechanism. Not only are control room not using consumer assets to help balance the system, they are also standing in the way of data being gathered to understand how consumer assets can be better enabled to participate, putting both existing and future consumer needs at risk.

Operational Metering requirements for meter readings every 1 second, even when assets are not participating in the BM impose massive data costs, essentially obliterating the business case for domestic flexibility. Objections were immediately raised bilaterally to ESO and have continued to be raised by industry, yet this work, like the work carried out on skip rates, has been continuously delayed. Again, we do not see how performance objective 3 or 5 will be achieved if assets are unable to participate in markets due to onerous requirements unsuited to low carbon flexible assets. These barriers, alongside those set out in our [Demanding More Report](#) and the recently published Routes to Market Stage 2 hinder these objectives, as well as performance objective 7 on Clean Power 2030 Implementation. DESNZ's recently published Clean Power Action Plan mentions and emphasises these problems for industry and the effect they could have on achieving our 2030 target.

We do look forward to seeing how NESO will push forward with progress on the full implementation of the Open Balancing Platform and move away from legacy IT systems that currently exist to improve forecasting and control room capabilities. Additionally, how NESO will be Coordinating and working closely with decision-makers and consumers in the energy market in creating a Whole Energy Market Strategy is of particular interest and we believe benefit to the industry.

We are glad to see the Department of Business and Trade's (DBT's) Invest 2035: The UK's Modern Industrial Strategy referenced in the Digitalisation Performance Objective. However, it is unclear how BP3 might need to further integrate with the goals set out in the upcoming Industrial Strategy, especially when it comes to energy, infrastructure and connections reform. We would anticipate for the Industrial Strategy to be relevant to more BP3 Performance Objectives than just Digitalisation, so clarity from NESO on how they are considering this is needed. Additionally, we are supportive of the Major Deliverable for Connections Reform to create and implement an approach to accelerate demand connections for transmission connected demand projects (and not distribution). This is a positive sign in the right direction and clearing the transmission logjam will positively affect the distribution queue as well. We would want for NESO's eventual approach to be lifted, adapted and applied to distribution connection reform in the future.

**Question 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.**

Along with the above, clarity is needed from NESO on how they intend to operate the system carbon free for a few hours when the Balancing Mechanism still consists of 80% fossil fuel technologies. NESO must set out the actions that are going to be taken to change this and utilise low carbon flexible technologies.

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**FOR MORE INFORMATION, PLEASE CONTACT:**

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