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Sent by email to: box.neso.riio2@nationalenergyso.com

Dear RIIO-2 team

Consultation on NESO's draft RIIO-2 Business Plan 3 for April 2025-March 2026

Thank you for inviting views on your draft version of Business Plan 3 (BP3).

We support the holistic strategic priorities of clean power, decarbonised energy and customer value. We particularly welcome NESO's commitment to a customer-centric approach, as we've seen the most positive improvements in NESO's work where stakeholder engagement has been highest.

We are generally supportive of the eight performance objectives but believe the deliverables and success measures should be added to in some areas. This is the focus of our response to the questions below.

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

We support the four broad outcomes that NESO's objectives will deliver - lower bills, system security and reliability, supporting net zero and improved industry coordination.

BP3 would benefit from more specific detail on how NESO will engage with its customers on all the objectives – beyond the broad commitment to involve customers.

The titles of eight performance objectives seem appropriate. However, we feel some important areas are missed within their scope and success measures. We touch on these under questions 2 and 3.

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.

We agree the draft BP3 will deliver benefits for consumers if delivered in full, but it is difficult to assess whether the targets and success measures are stretching when these are vague.

The main area where we would like to see more ambition is on solving connections challenges at the transmission-distribution interface which continue to frustrate the efficient connection of embedded generation. NESO is best placed to take leadership on this.

Please see our response to Q3 for specific feedback on areas of the individual performance objectives.

3. Q3. 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.

Operating the Electricity System

We welcome the recent improvements by NESO to facilitate participation of battery assets and reduce battery skip rates in the Balancing Mechanism. This is very encouraging – and a positive example of NESO engaging positively with and responding to customer needs. We support NESO continuing work to deliver further reductions in skip rates, particularly when it comes to the utilisation of batteries for constraint management.

Other areas NESO must deliver on include moving products and services to its new Open Balancing Platform as quickly as possible (replacing legacy systems), developing constraint management markets, further developing its markets and services (e.g. slow reserve, voltage and inertia), and introducing further improvements to forecasting. We are pleased to see these covered under this objective.

The success measure of “reduced market downtime” for the Balancing Programme is very vague. NESO should explain which systems this refers to and propose more specific metrics.

Similarly, on NESO’s balancing cost strategy, although we agree with the four areas, this section would have benefitted from a more granular break-down quantifying levels of cost reduction being targeted via named initiatives.

Connections Reform

Whilst we recognise the size of the task, it will be a poor outcome for connecting customers if they have to wait until the end of March 2026 to obtain a revised queue position. The situation is worst for embedded customers, as NESO’s KPI covers the Gate 2 offer being sent to the relevant DNO. From our experience with the Two-Step Offer process, this could mean many months additional delay after March 2026 if the DNO needs to query elements of the offer.

We suggest NESO adds a second success measure covering regular communication with its customers during this period. This could include notifying customers that have not met the Gate 2 criteria as soon as this is known, given we understand NESO expects to determine this much earlier than December 2025.

The Connections Action Plan included an action on the ESO and DNOs to improve processes at the (TDI). Although several initiatives were discussed by the Connections Delivery Board during 2024, progress on enduring solutions slowed whilst work was focused on TMO4+. We would welcome a deliverable on the TDI in BP3 as we feel NESO is best place to provide leadership in this area.

We welcome NESO's proposal at the 9 January 2025 TCMF to propose an urgent code modification to increase the lower Transmission Impact Assessment (TIA) threshold in England and Wales to at least 5MW. Although much of the work on this will need to be delivered before April 2025 to align implementation with CMP435, successful completion could be used as a metric for BP3.

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.

Yes. NESO has achieved most when it has had the most open engagement with stakeholders. Examples that come to mind in recent years include the co-creation activities on the new response and reserve products, the launch of the Demand Flexibility Service and extensive work with industry stakeholders on Connections Reform.

NESO's existing regular webinars on balance work well and are well-attended – such as the weekly Operational Transparency Forum (OTF) and monthly connections webinars in 2023/2024. Holding regular webinars on BP3 activities and the publication of both the recording and a pdf of the slides could be used as a metric.

Whilst NESO's BP3 plan involves several external governance forums, these are often closed groups with industry only represented by trade associations or a few companies. To ensure transparency and allow commercial parties to brief trade associations, NESO should follow the approach of the CUSC and Grid Code Panels and publish all papers associated with these meetings not just the minutes. Some of the minutes of the Connections Process Advisory Group (CPAG) were not fully intelligible because they referred to meeting papers that were not published.

This response is non-confidential. If you would like to discuss anything in further detail, please contact me at helen.stack@centrica.com.

Yours sincerely

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