NESO RIIO-2 Business Plan 2 (2023-25)

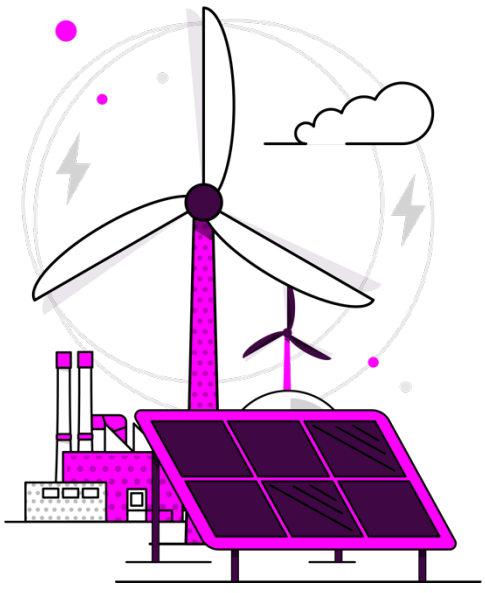
End-Scheme Incentives Report

Annex E: Value for Money and Cost Monitoring Framework

May 2025

NESO
National Energy System Operator

Contents



Introduction

Under the incentive arrangements for RIIO-2, NESO must report on its outturn and forecast costs for each role against cost benchmarks for BP2 and ISOP Implementation. As the reporting for the Value for Money criterion relates to all roles, we have brought this together in one section rather than providing a separate Value for Money chapter for each role. All figures in this section are in 2018-19 prices[1]. Costs relating to the establishment and activities of the newly established NESO are split out from any reporting against the BP2 plan and are reported separately within the ISOP Implementation section at the end of this chapter against the FSO Blueprint submission.

It is important to note that the Regulatory Reporting Pack (RRP) remains the formal cost report for NESO. The final cost outturn for 2024-25 will be submitted in the next reporting cycle in August 2025.

The reported spend for the 2024-25 reporting year has been reviewed as part of our normal monthly management review process but has not been formally audited or been subject to the formal governance process for submission that would normally be used for RRP reporting. NESO uses the methodology set out in the ISOPRI guidance to allocate costs to each role.

NESO's Value for Money Framework

In this report we review our spend against the deliverables that we set out in our BP2 plan. Where there are significant cost deviations from our plan, we explain the reasons and highlight areas where we have delivered additional benefits that were not foreseen at the outset of the BP2 period. However, value for money is not just about the cost of delivering an activity (economy), it is much broader than that. Fundamentally we deliver value for money through three main mechanisms: operational efficiency, outcome delivery and strategic alignment.

Operational efficiency focuses on ensuring that our resources are used optimally to achieve the best possible outcomes without compromising quality, ensuring that every action we take is cost-effective and contributes to the overall efficiency of the organisation.

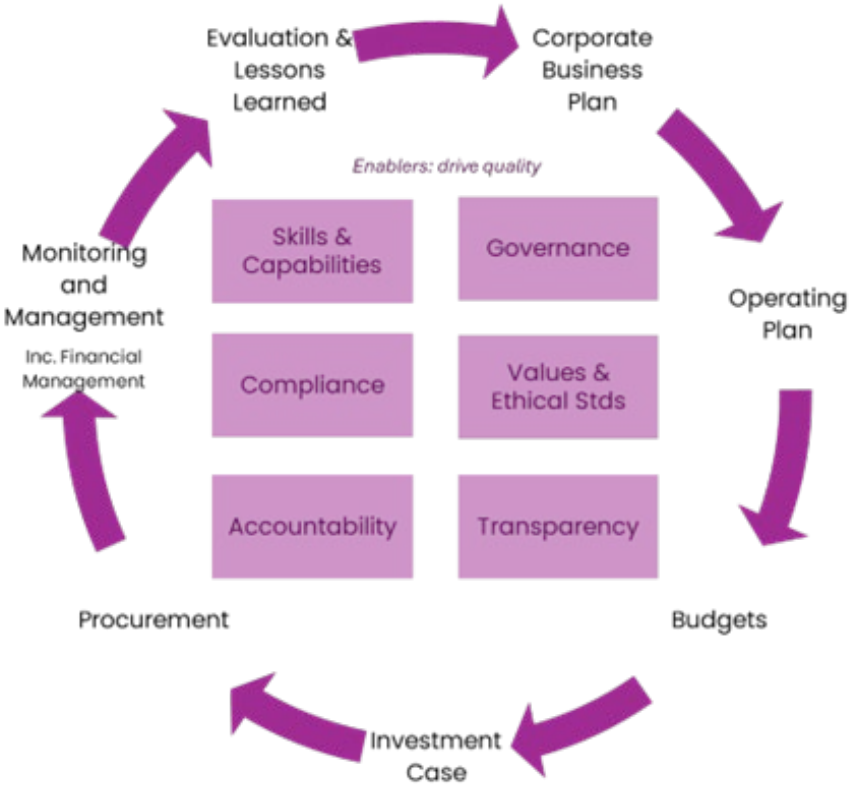
Outcome delivery ensures that we are achieving our intended outcomes, going further where we can, and delivering measurable impacts.

Strategic alignment ensures that our activities are aligned with our mission, vision, and strategic priorities.

We continue to ensure delivery of Value for Money through a delivery cycle that incorporates our strategy review, corporate business plan, budget setting, investment

[1] Benefits quoted in nominal prices

appraisal, procurement and performance management. This cycle is supported by a set of enablers that drive quality of the decisions we make as set out below.



We deliver Value for Money across the operational, development and delivery cycles through:

Businesses processes and standards	From the outset, we are committed to embedding excellence in all business processes and standards. We have established robust procedures and guidelines that promote economy, efficiency, effectiveness, and transparency. By setting these standards from the beginning, we ensure that all operations are conducted in a manner that maximises value for money.
Appraisal	Appraisal is a critical component of value for money delivery. We have a sharp focus on decision-making (before the fact as well as during design and planning) and have a transparent approval process. We assess different options to understand broader implications and alignment with other initiatives.
Monitoring	Monitoring is focussed on our delivery management to ensure that all activities are on track and aligned with our objectives. Monitoring ensures that we manage costs and benefits throughout the life of the work, and we have governance structures in place to oversee and control spending, manage risks, maintaining robust oversight and accountability.

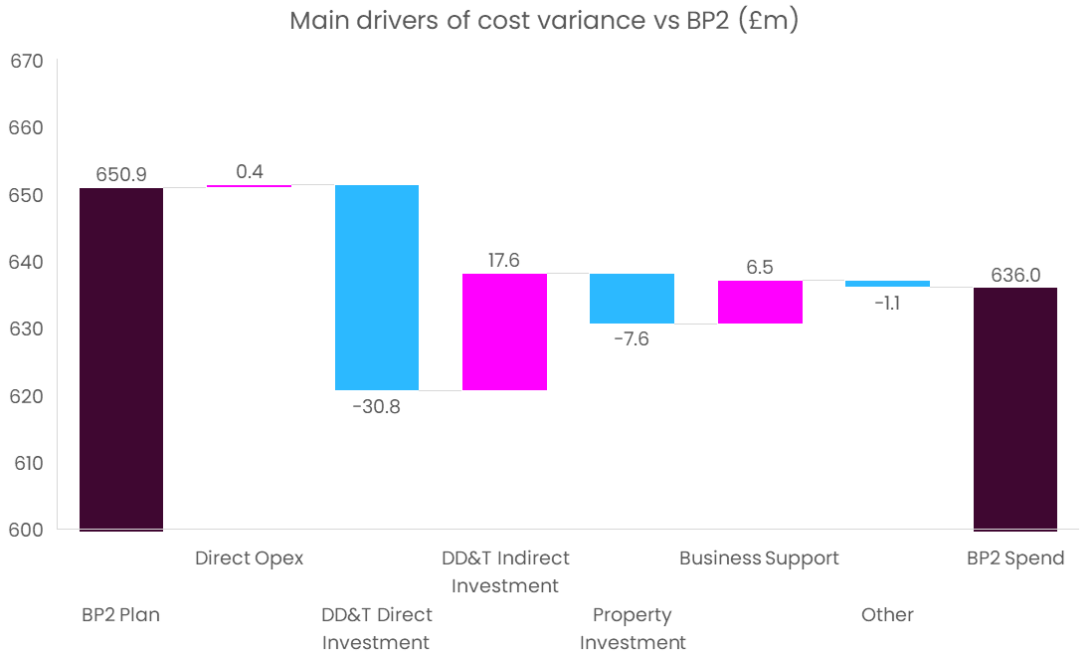
More detail around our governance model and decision making is set out in Appendix 1.

BP2 Overview

The following table sets out our actual spend for the BP2 period (2023/24 to 2024/25), compared to our original BP2 plan. For a more detailed breakdown, please see the Cost Benchmark Summary Table at the end of this chapter.

		Role 1	Role 2	Role 3	**Total**
Original BP2 plan	(£m)	313.6	176.3	161.0	**650.9**
2023-24 Spend	(£m)	130.2	80.5	71.0	**281.7**
2024-25 Spend	(£m)	154.8	102.0	97.5	**354.3**
Total 2023-25 Spend	(£m)	285.0	182.5	168.4	**636.0**
Deviation from BP2 plan	(£m)	-28.6	6.2	7.4	**-14.9**
Deviation from BP2 plan	%	**-9.1%**	**3.5%**	**4.6%**	**-2.3%**

Costs that are directly attributable to a particular role are reported below on a role-by-role basis. Costs that are indirectly attributable and allocated across all three roles are summarised in the next section.



Over the BP2 period we spent £14.9m less than we forecast in our plan.

Our opex costs which are directly attributable to roles, were broadly in line with our plan across all roles, though we describe in our narrative areas where we added additional headcount to deliver additional value or areas where we delivered more within our existing headcount.

A lower spend in our direct DD&T investment (-£30.8m) was the key overall driver of lower cost over the period. This underspend was mainly in Role 1 driven by the timing of spend on our Network Control investment (-£12.5m) and the de-scoping of Optel and telephony network upgrades within our restoration decision support tool project (-£16.6m), which due to separation from National Grid systems will be delivered through operational separation arrangements.

Our underspend across direct DD&T investments has been partly offset by a decision to fund new priority initiatives within our indirect DD&T portfolio like reducing technical debt, customer platform fixes, and improving data management. We assessed these activities based on priority, risk mitigation, and benefits to ensure continued value.

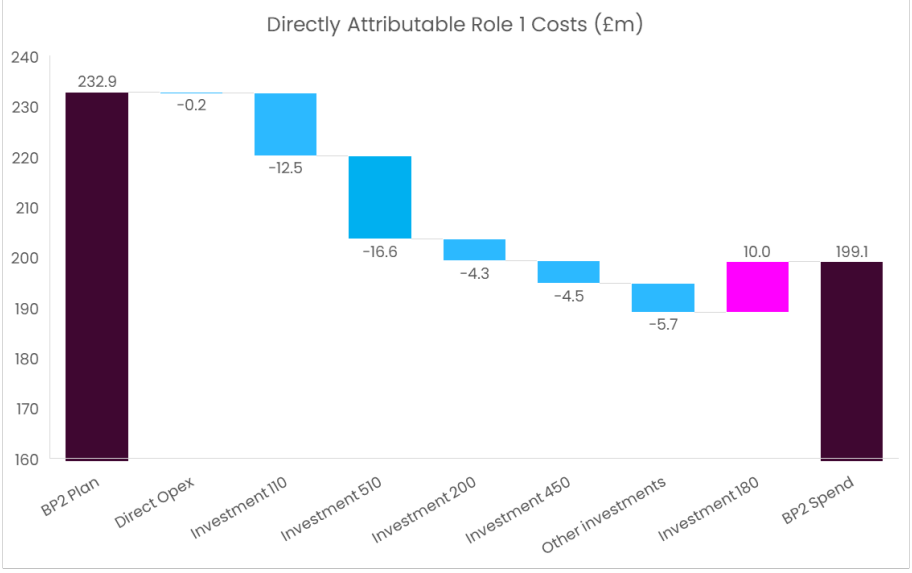
We spent £7.6m less in property investment over the period. The majority of the planned spend in the period was to refurbish our Wokingham site. Work has started on some smaller areas of the project, and we are continuing to validate business requirements for the other areas of spend to ensure the scope of future refurbishment fully aligns to our ways of working and capacity restraints as well as our need to improve sustainability, inclusivity, and accessibility.

Our business support costs were £6.5m higher than our BP2 forecast. DD&T costs were overall £7.1m lower than forecast with costs increasing across the period as we started to see the impact of incremental running costs resulting from projects commissioning DD&T assets into production. This was offset by additional property costs as our regional presence grows, higher spend in graduate and apprentice programmes to support growth of key skills and additional headcount in our corporate affairs team which over the RIIO-2 period, has transitioned to a standalone team outside of the National Grid group.

Role 1 (Control centre operations)

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Directly Attributable Opex	67.7	33.5	34.0	67.5	-0.2
Role 1 Investments	165.1	64.0	67.6	131.6	-33.6
Total Directly Attributable to Role 1	**232.9**	**97.5**	**101.7**	**199.1**	**-33.7**

Over the BP2 period we spent £33.7m less than in our plan, driven by lower investment spend.



110 *Network Control*

510 *Restoration & Restoration Decision Support Tool*

200 *Future Training Simulator & Tools*

450 *Innovation Productionisation*

180 *Enhanced Balancing Capability*

Our overall opex spend was in line with our BP2 plan, with additional spend to drive value on activities such as our battery dispatch and balancing cost team being offset by lower spend in other areas.

We spent significantly less in our Digital Data & Technology (DD&T) investment portfolio where the biggest driver was changes to programme scope. Our two most significant investment programmes in the RIIO-2 period replace both of our key Critical National Infrastructure (CNI) systems (our network control and balancing systems). We saw significant spend variances against our BP2 plan in both programmes, which was due the timing of spend. In both cases we remain on track to deliver the RIIO-2 scope within the forecast set out in our BP2 plan.

Directly Attributable Opex

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Directly Attributable Opex	67.7	33.5	34.0	67.5	-0.2

Our opex spend of £67.5m over the period was £0.2m lower than in our plan with an average headcount of 388 Full Time Equivalents (FTE) compared to a planned headcount of 385 FTE.

The biggest area of opex spend in Role 1 relates to our core day to day balancing activity. By the end of 2024/25, in line with our plan, we increased our power system manager headcount to support the increased workloads that have been driven by declining levels of inertia and increasing levels of distributed and intermittent generation. This increase in heads included an additional 6 balancing engineers to support the changing landscape of energy dispatch with an initial focus on management of skip rates. Average FTEs over the period were 10 lower than our plan due to slower recruitment of key skills in 2023/24. This required some additional temporary overtime payments, but overall costs were managed and were in line with BP2 at £29.4m.

A key priority area for us in BP2 was to seek further actions we could take to minimise balancing costs. Our overview of Balancing Cost Strategy, which can be found in Annex A: Role 1 – Control centre operations, highlights the work we have done to improve reporting and analytics, educate and inform stakeholders and drive specific initiatives which have delivered balancing cost reductions. Our plan did not include any incremental cost for this activity, though our delivery approach was to recruit a small team (6 FTE) of balancing cost experts to centralise expertise and drive the initiatives that reduce cost. The incremental cost of this team (circa £0.8m) has delivered significant benefit. For example, our Network Service Procurement (NSP) projects have saved up to £318m between April 2023 and March 2025, by implementing solutions to operability challenges in the electricity system.

Feedback from stakeholders following our Balancing Capability Strategic Review in 2022 highlighted concerns around the efficient dispatch of new technologies such as battery assets and other flexible providers. We have recognised the need to do more to unlock these technologies and reduce skip rates across all asset types. To promote dispatch transparency and address skip rates we have created a small dispatch transparency team thereby increasing our headcount by 3 FTE. We have started to deliver initiatives which will drive efficiencies and transparency in our dispatch decisions and further reduce balancing costs.

We achieved all our BP2 milestones as we continued to develop our market monitoring role. We spent £1.4m over the period which was £0.2m less than planned in BP2. We hired an additional 2 FTE above our planned headcount to manage additional workload and to bring data scientist capability into the team rather than outsourcing this activity as we had planned.

Our BP2 plan introduced a new activity in Role 1 to support the Distribution System Operator (DSO) transition and improve Distributed Energy Resource (DER) visibility. This was part of a wider cross cutting deliverable (across Roles 1,2 & 3). We forecast a total

increase of 15 FTE, of which 5 FTE were allocated to Role 1. All milestones under Role 1 were delivered through flexing existing resources, saving £0.5m compared to our BP2 forecast.

During the period we maintained our membership of CORESO (Coordination of Electricity System Operators). CORESO facilitates cooperation between 9 electricity transmission system operators across Europe, with a mission to proactively help Transmission System Operators to ensure security of supply on a European regional basis. Annual spend is approved by the CORESO board and NESO pays for its share. Overall costs were £0.7m less than forecast in BP2. This was due to a reconciliation of the 2022-23 costs where final costs reconciled by CORESO were less than had been charged to shareholders.

Investments

ID	Investment Name	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
110	Network Control *	40.4	11.3	16.7	27.9	-12.5
120	Interconnectors	4.3	1.6	1.2	2.7	-1.6
130	Emergent Technology and System Management	3.9	0.4	1.0	1.5	-2.4
140	ENCC Operator Console	2.8	0.3	0.2	0.6	-2.2
180	Enhancing Balancing Capabilities	39.8	27.1	23.5	50.6	10.8
190	Workforce and Change Management Tools	2.0	0.0	0.2	0.2	-1.8
200	Future Training Simulator and Tools	4.4	0.0	0.1	0.1	-4.3
210	Balancing Asset Health	10.1	5.3	4.1	9.4	-0.7
220	Data Analytics Platform	15.1	6.6	6.0	12.6	-2.5
240	ENCC Asset Health	5.8	2.5	3.8	6.2	0.4
250	Digital Engagement Platform	3.9	4.7	2.4	7.2	3.3
260	Forecasting Enhancements	6.1	1.8	4.1	5.9	-0.2
450	Future Innovation Productionisation	4.0	0.0	0.3	0.3	-3.7
480	Ancillary Services Dispatch	2.4	1.9	1.4	3.3	0.8
510	Restoration and Restoration Decision Support Tool**	17.5	0.4	0.5	0.9	-16.6
670	Real Time Predictions	0.0	0.0	2.1	2.1	2.1
	Wokingham ENCC	2.7	0.0	0.0	0.0	-2.6
	Inertia Monitoring Modulator	0.0	0.0	0.0	0.0	0.0
	Total	**165.1**	**64.0**	**67.6**	**131.6**	**-33.6**

* Incudes investments (150) Operational Awareness and Decision Support & (170) Frequency Visibility.
** Includes investment (460) Restoration

110 Network Control (-£12.5m)

Our Network Control investment delivers our real-time situational awareness capability providing control centre operators capability to manage the electricity network as we move to zero carbon grid operations. With the increasing complexity of the transmission network and a shift towards whole system operation we require greater visibility of current system conditions and predicted future conditions to enhance decision making. This

investment will deliver a Network Control Management System (NCMS) that will enable full separation from National Grid Electricity Transmission (NGET) by replacing the existing control system, which we currently share with NGET.

At the beginning of the BP2 period our supplier launched a new platform called GridOS which replaces their existing legacy products. We took the decision to pivot towards the new GridOS platform because it presents the opportunity to move to a more modern architecture and an improved integration capability while also promoting more rapid deployment of future products and features.

Our shift to the GridOS platform required a review of our delivery plan to align our timeline to our supplier platform roll-out. This has shifted our go-live date from April 2025 to October 2025 and more of our costs into 2025/26. We are continuing to manage risks around the cutover with NGET separation, CNI data centre dependencies and resourcing challenges with our supplier. We still expect to deliver the full RIIO-2 planned scope and benefits with an efficiency saving of £3.6m.

180 Enhanced Balancing Capabilities (+£10.8m)

This investment delivers the Open Balancing Platform (OBP), a new real-time balancing capability to replace our legacy balancing systems and processes. Our existing balancing systems architecture cannot be adapted to support zero carbon grid operations. We have designed the new balancing system to be flexible to provide access for smaller generation units and enable new energy services far more quickly and at lower risk.

We successfully delivered the first release of OBP in December 2023. This release provides enhanced dispatch capability within the control room for two "zones" - Batteries and Small Balancing Mechanism Units (BMUs). We accelerated the battery zone delivery following customer feedback through our balancing industry engagement events. The release also delivers the foundational platform for all future system developments and sets up a continuous delivery framework. The platform is built to support a modular, highly available architecture that simplifies operations, enables faster change, and reduces deployment risk. Delivery occurs on a hybrid cloud platform to replace legacy hardware, offering versatility and cost-effective development and testing.

Since the December 2023 release, we have established a fortnightly release cadence to deliver capabilities and value incrementally, comprising planned scope, enhancements, and defect fixes. To date, the benefits created from these deliveries include an increase in the number of instructions that the Electricity National Control Centre (ENCC) can issue and a noticeable increase in the dispatched volume of energy for the battery and small BMU zones. We estimate that since go-live in December 2023, OBP has saved an estimated 37,400 Metric Tonnes of carbon emissions.

Costs in the BP2 period were £10.8m higher than our BP2 forecast. This was due to an underspend in the BP1 period which has now been caught up. The expected overall spend to deliver enhanced balancing capabilities over the RIIO-2 period is still in line with our BP2 plan.

200 Future Training Simulator & Tools (-£4.3m)

Our ambition is to provide a single training simulation capability for the ENCC. We will enable simulation tools to accurately reflect the changing energy landscape with real-time data. This will allow us to train Control Centre engineers on a range of past and future scenarios.

Development of an end-to-end integrated simulator is dependent on both the Network Control programme (110) and the Enhanced Balancing Capability programme (180). These programmes will deliver standalone simulator capabilities in 2025/26. The availability of these simulators does not provide sufficient time to progress with the integration of these simulators within our training environment, and as a result we have decided to defer this activity beyond 2025/26. We have therefore incurred minimal spend on this activity in BP2. We will continue to evolve the integration requirements and design, simulator scenarios and training tool needs in readiness for delivering both an integrated simulator capability and training simulator suite.

260 Forecasting Enhancements (-£0.2m)

During the BP2 period the Forecasting Enhancements investment has undertaken a strategic review of our forecasting estate and has implemented new Platform for Energy Forecasting (PEF) design principles. Incremental improvements and new features have been delivered, enhancing the forecasting products. Improvements in PEF functionality has increased the accuracy of our demand forecasts and we estimated that this will deliver £696m of balancing cost savings over the RIIO-2 period.

450 Future Innovation Productionisation (£-3.7m)

In our BP2 plan we provisioned funds to be able to further develop innovation projects which have received Network Innovation Allowance (NIA) funding or Strategic Innovation Fund (SIF) funding since innovation funding does not currently allow for the transition of projects into full operation upon completion.

Within the BP2 period, some candidate projects did not require productionisation or timescales were aligned to fit within other DD&T programmes. This reflected the maturity of the Innovation portfolio in the BP2 period as most projects were focused on research and only reached the development stage towards the end of BP2. As a result, there was a lower actual cost than forecast.

510 Restoration and Restoration Decision Support Tool (-£16.6m)

This investment will deliver our capability to manage emergency restart of the electricity network in the context of zero carbon operations. The decision support tool will be based on real-time data and will support decision making of control centre engineers in a national shutdown scenario on the best restoration route based on a number of external factors.

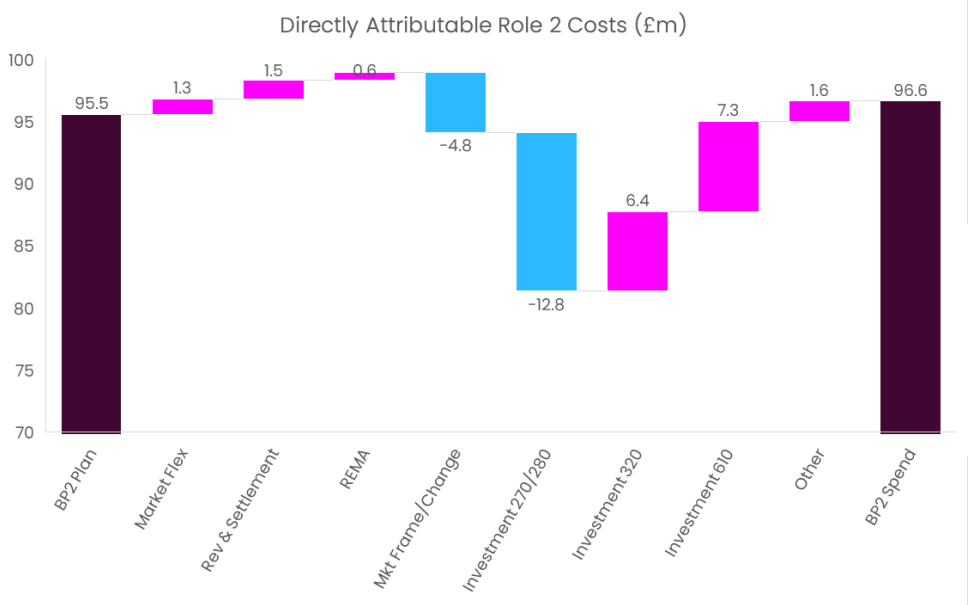
During the BP2 period we have selected a vendor solution that aligns with our NCMS platform as part of a wider whole system operation strategy. We have completed site surveys and low-level designs for the Inter-control Centre Communications Protocol (ICCP) links, though we have experienced implementation delays due to an upcoming change in our networks managed service provider.

The reason for the significant underspend in the BP2 period is two-fold. Firstly, we have conducted a review of scope for this investment and due to the NESO separation from National Grid, the upgraded Optel and telephony scope were removed, which has resulted in an expected £15.4m cost reduction over the RIIO-2 period against the scope we outlined in BP2. Secondly, the dependency on NCMS has led to a phased delivery approach so that we will deliver phase 1 within the RIIO-2 period with subsequent phases delivered throughout 2027 and 2028.

Role 2 (Market Development and Transactions)

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Directly Attributable Opex	39.1	17.8	20.0	37.9	-1.3
Role 2 Investments	56.4	29.9	28.8	58.8	2.3
Total Directly Attributable to Role 2	**95.5**	**47.7**	**48.9**	**96.6**	**1.1**

Over the BP2 period our directly attributable spend was broadly in line with our plan. Below we set out the high-level activities driving the variances across Role 2.



270/280 *EU & GB Regulatory Changes*

320 *EMR & CfD Improvements*

610 *Charging, Billing & Settlements*

Our opex spend over the period was £1.3m lower than our plan. We incurred additional costs where roles expanded or flexed in line with market changes such as demand flexibility, the government's Review of Electricity Market Arrangements (REMA) and new ancillary service products. This cost was offset by slower recruitment into roles in 2023/24 and lower overall resource requirements in our market frameworks team.

Our total investment spend was £2.3m higher than BP2. We saw lower levels of both EU and GB regulatory change and therefore £12.8m lower than planned investment. Our new Electricity Market Reform (EMR) platform investment programme was re-baselined in the period following extensive engagement with Ofgem and Industry. Our revised delivery plan will cost more over the RIIO-2 period than planned which reflects the volume and complexity of required changes and additional effort required. We have continued to migrate services from legacy systems to our new charging, billing and settlements platform (STAR). The complexity of services being migrated led to additional resources and testing as well as a need to upgrade the system performance. There were also additional new market services to incorporate, all of which drove additional cost.

Directly Attributable Opex

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Directly Attributable Opex	39.1	17.8	20.0	37.9	-1.3

Our opex spend of £37.9m over the period was £1.3m lower than in our plan with an average headcount of 244 FTE compared to a planned headcount of 215 FTE.

Our BP2 plan recognised the need to work across all 3 roles to support the DSO transition and to provide Access for Whole Electricity Flexibility (AWEF). We provisioned 6 new roles to support this activity which is delivered through our market flexibility strategy team. Since publication of BP2, our role in market flexibility has grown significantly and we have added a further 15 FTE to the team at an additional cost of £1.3m. Following on from the successful introduction of our Demand Flexibility Service (DFS) in the winter of 2022/23 we have continued to develop it from an enhanced action to a merit-based margin service for peak demand. We estimate that over the winter months of December, January and February we reduced balancing costs by £0.5m through DFS. We also estimate that there was a £0.8m benefit to participating domestic, industrial and commercial consumers. More broadly the team are prioritising enabling access to markets, co-ordination of Distribution Network Operator (DNO) and DSO markets and influencing wider policy through the development of a low carbon flexibility roadmap, which is aligned to the Clean Power 2030 (CP30) plan. Investment in market flexibility contributes to a more efficient, sustainable and resilient energy system, supports broader policy objectives such as the transition to a low carbon economy and can be financially beneficial for participating consumers.

Within Role 2 we provisioned 39 FTE to perform our revenue, contracts and settlements activity. We incurred an additional £1.5m of cost with an increase of 21 FTE over the period in delivering these services. The key driver of cost increase has been a significant increase in the number of balancing services we provide, bringing on new Response and Reserve services. This drives an increase in the number of customer contracts and increases the volume and complexity of the settlements process whereby the team calculate and make payments to service providers. There has also been additional workload in transitioning services to our new charging and billing platform. We anticipate that we will continue to need higher levels of resource to manage and integrate more new products as the balancing services market continues to evolve. Ensuring we have the right skills and capabilities to quickly and efficiently onboard new services and market participants will ensure we can deliver overall savings in balancing costs in a timely manner.

REMA is the vehicle to deliver market reform and achieve an accelerated pace of power sector decarbonisation, while maintaining security of supply and affordability. In January 2024 NESO joined the REMA programme as an official Delivery Partner to the Department for Energy Security and Net Zero (DESNZ), alongside Ofgem. Whilst there were some additional roles in our BP2 plan to support net zero market reform, we have needed to recruit additional resource to fulfil our role as Delivery Partner. Our internal governance has provided approval for an additional 21 FTE to provide the necessary resource through to Summer 2025 when the government White Paper is due to be published. Whilst we did

not fully resource the programme in the BP2 period we incurred costs for an additional 12 FTE in 2024/25 and an additional spend of £0.6m.

In the BP2 period we have continued to enhance our EMR modelling capability which supports us in providing recommendations to Government on the Capacity Market. Costs incurred for the modelling team were £2.0m, which was £0.3m higher than our forecast, though the number of FTE was broadly in line with plan. Through a set of development projects, we have improved our modelling capability such that it remains robust for a changing energy system. Our recommendations have continued to withstand scrutiny from DESNZ's Panel of Technical Experts and be accepted by DESNZ. We estimate that our enhanced modelling capability will deliver £251m of benefits through the RIIO-2 period.

Whilst we have invested in incremental headcount to support new or expanding roles that deliver consumer benefits, we have offset this with lower spend in other areas.

Spend across our market frameworks and market change delivery teams has been £4.8m lower than planned. This has been due to slower recruitment into roles as well as an overall 17 FTE lower headcount across the period. Whilst teams have been stretched this has not impacted on delivery of BP2 milestones. Secondly professional fees associated with the delivery of market change have been £1.4m lower than planned, with costs associated with power responsive initiatives decreasing significantly compared to the level of costs we saw in the BP1 period.

Investments

ID	Investment Name	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
270	Role in Europe	9.4	0.7	1.9	2.6	-6.7
280	GB Regulations	8.7	1.9	0.7	2.6	-6.1
320	EMR and CfD Improvements	7.4	9.0	4.7	13.7	6.4
330	Digitalised Code Management	2.5	1.1	1.7	2.8	0.4
400	Single Markets Platform	14.5	5.8	10.1	15.8	1.4
420	Auction Platform	4.2	2.4	1.3	3.7	-0.5
610	Settlements, Charging and Billing	9.8	8.9	8.2	17.1	7.3
680	Local Constraints Market	0.0	0.0	0.2	0.3	0.3
	Total	**56.4**	**29.9**	**28.8**	**58.8**	**2.3**

270 & 280 EU and GB regulatory changes (-£12.8m)

Funding was set aside in BP2 to manage the impact of regulatory changes to ensure that we remain compliant with regulatory requirements across EU and GB obligations. Our spend includes the resource required to support options development, planning, design, and implementation of solutions.

During BP2 we have seen a lower than anticipated throughput of change, which has driven the significant underspend compared to our plan. To further drive operational efficiency, we plan to consolidate our regulatory investments by combining GB Regulations (280) with Role in Europe (270), a change that will provide efficiencies, reduce

costs and management overhead delivering through a single team, and one sanctioning, monitoring and reporting process.

320 EMR and CfD (+£6.4m)

When we set out our RIIO-2 plan we scoped this investment to deliver a new platform for EMR to enhance customer experience, enabling increased market participation and deliver future regulatory change at pace and cost-effectively. We planned to deliver this new platform by the end of the BP1 period. However, due to internal and external factors, we experienced delays and following industry consultation and Ofgem deep dives in January 2023 we agreed a re-baselined plan which would:

- Deliver a new portal for the CM scheme by Q1 2024/25.
- Deliver quarterly updates to the portal comprising of continuous improvement based on stakeholder feedback and regulatory changes.
- Maintain the CfD scheme on the legacy EMR portal, with the delivery of regulatory changes for upcoming allocation rounds.

We fully launched the new Capacity Market Portal in June 2024, enabling industry use for the Capacity Market scheme, including 2024 pre-qualification, auction readiness and agreement management processes. For the remainder of 2024/25 we focussed on key continuous improvement deliveries based on customer feedback.

The new delivery plan included a resource ramp up to multiple development squads to deliver the required number of features and regulatory changes due in Q2 2024/25 alongside continued support of the legacy portal including the necessary regulatory changes. These changes have driven the £6.4m overspend in the BP2 period, with an expected incremental cost of £7.7m over the full RIIO-2 period. This investment delivers a better customer experience (CSAT score 8.3/10) with reduced barriers to participate (20% increase in applications) and therefore further competition in the Capacity Market. It also allows us to deliver future regulatory change at a pace commensurate with regulator and industry expectations.

420 Auction Platform (-£0.5m)

This investment delivers an Enduring Auction Capability (EAC) platform allowing our market participants to offer their energy services. The capability improves the experience of parties participating in our energy markets by providing us with greater flexibility to support changes, such as enhanced bidding granularity and the ability to expand and facilitate integration of new services. Over the course of BP2, we have migrated Dynamic Containment (DC), Dynamic Moderation (DM), and Dynamic Regulation (DR) frequency response services onto the EAC platform. This migration delivered and enabled a more efficient market clearing algorithm which leads to a reduction in procurement costs. As part of this investment during the BP2 period, we also delivered on the Quick Reserve service for Balancing Mechanism (BM) which facilitates closer to real-time reserve procurement events and reduced procurement costs. We estimate that the benefits realised from the transition to the EAC platform are £330m over the RIIO-2 period.

610 Settlements, Charging and Billing (+£7.3m)

This investment underpins the development of our strategic technology capability called STAR (Settlements and Revenue), which enables the management of industry charging and revenue collection, and the settlement of ancillary services.

We decided in the BP1 period to replace our legacy billing system rather than re-engineer it as our assessment of its architecture and health deemed it as obsolete, not cost effective and unfit for purpose to deliver against the long-term future requirements from a growing market. STAR delivers benefits through improving accuracy in charging, billing and reporting as well as ensuring compliance with controls and regulation. It delivers a better user experience and improves productivity through automated processes and less manual workarounds. The new platform is flexible and scalable which allows us to adapt at pace to evolving market demands and regulatory changes.

We delivered our STAR platform in BP1 and over the course of BP2 we have migrated all Revenue services, whilst accommodating mandatory regulatory requirements due to STAR's configurable design. For Settlement services, we successfully migrated the suite of Frequency Response (including Firm Frequency Response (FFR), Dynamic Services and Mandatory Frequency Response (MFR)), onto STAR and we are progressing the migration of the remaining services, having had to adjust our timelines to reflect additional market demands, such as the new dynamic response services and four additional reserve services, and operational challenges.

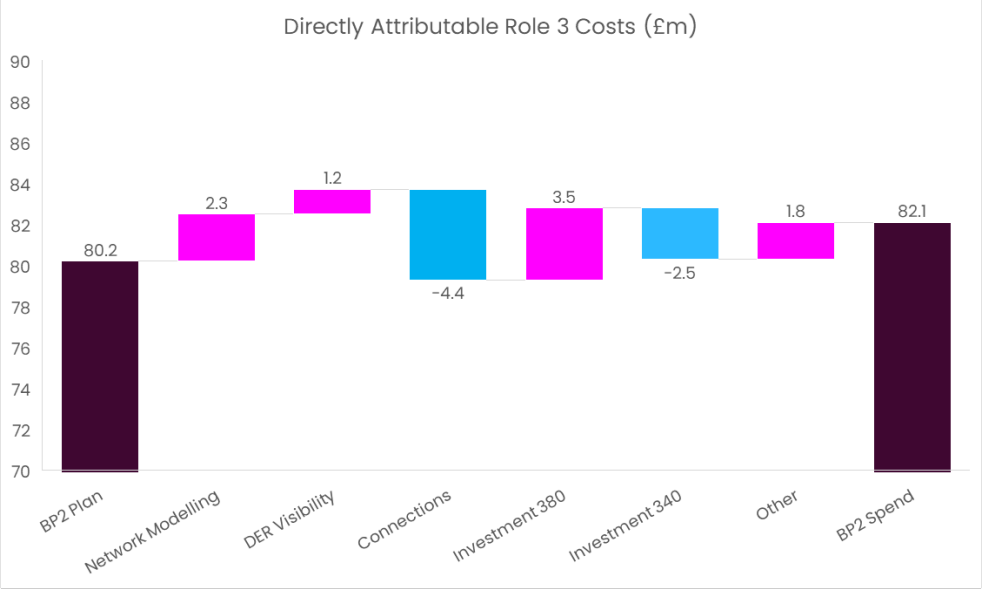
Our spend in the period has exceeded our BP2 estimates by £7.3m driven by:

- under-estimation of the complexity of services being migrated to STAR leading to a greater number of changes needing more resources and test environments.
- the complexity of the system leading to system performance below business expectations, which had to be remediated before adding further services to STAR increasing resource, infrastructure and licensing costs.
- new market directions towards net zero, for example a new set of Reserve sub-services were required that were not anticipated in the original BP2 submission.
- a strategic decision to align the underlying platform to our preferred Azure solution.

Role 3 (System insight, planning and network development)

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Directly Attributable Opex	56.4	26.8	31.5	58.3	1.9
Role 3 Investments	23.8	11.4	12.8	24.2	0.4
Total Directly Attributable to Role 3	**80.2**	**38.2**	**44.3**	**82.5**	**2.3**

Over the BP2 period we spent £2.3m more than in our plan, which was driven by higher directly attributable opex costs. Below we set out the high-level activities driving the variances across Role 3.



340 *RDP Implementation & Extension*

380 *Connections Platform*

In our Role 3 activities we spent an additional £1.9m opex, whilst our investment portfolio remained overall in line with the BP2 forecast. At the beginning of the period, we grew our modelling capability more quickly and to a higher degree than we had planned in BP2. This was necessary to support our shift to whole energy system planning and the drive to net zero. We incurred additional cost in our DER visibility activity as well as smaller increases in support of the expansion of activities in Role 3 such as our CP30 report, the impact of Central Strategic Network Planning (CSNP) on our Future Energy Scenarios (FES) report and a higher level of management oversight. Additional spend was offset by lower net spend in the connections team with more cost than planned recovered from customers through higher volumes of connection applications.

We invested more in our connections platform, to ensure we could support connections reform. This additional spend was offset by lower spend in other investments and a reduction in scope of our Regional Development Programme investment which will be delivered through the Role 1 Balancing programme.

Directly Attributable Opex

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Directly Attributable Opex	56.4	26.8	31.5	58.3	1.9

Our opex spend of £31.5m over the period was £1.9m higher than in our plan with an average headcount of 458 FTE compared to a planned headcount of 416 FTE.

In August 2023 NESO was formally commissioned by the Secretary of State and DESNZ to provide independent advice on the pathway towards the 2030 ambition. This significant undertaking was underpinned by over 300 touchpoints of engagement across a wide range of stakeholders, and the review and analysis of nearly 100 pieces of written feedback. To deliver this report in the most cost-effective way we had to draw on expertise from right across the organisation. There were 184 FTE who input to this project over a three-month period. At the same time, we had to pause or re-prioritise some of our existing BP2 deliverables (our 2030s Resource Adequacy Assessment and Operability Strategy Report were both delayed). Given the tight timelines we incurred a small amount of additional consultancy spend (£0.4m) in supporting the economic costings and commissioning a critical independent review.

Our BP2 plan outlined an ambitious plan to transform the customer connection experience and to lead a wholesale reform of the connections process. Our plan increased the headcount required in this area by 59 FTE to 107 FTE to manage the volume and complexity of applications (37 FTE) and to deliver reform (22 FTE). During the period we have continued to manage the increasing volume of connections contracts whilst delivering our reform proposals. In addition, we have strategically aligned our methodologies to ensure projects support the pathways within Government's CP30 Plan as well as ensuring a future proofed approach that can support delivery of the Strategic Spatial Energy Plan (SSEP). Our total spend for connections was £6.1m, which was £4.4m lower than our BP2 plan. As outlined in our mid-scheme report, we had slower recruitment in the Customer Contract Management teams in 2023/24 due to market conditions which resulted in the team reaching their headcount target two quarters later than planned. Secondly, due to a higher applications volume there has been an increase in time spent on connection applications. This has resulted in an increased proportion of costs being allocated to connecting parties than initially estimated in our BP2 submission.

In BP2 we outlined our plan to transform our capability in network modelling and data management. We planned to increase our headcount from 2 FTE to 10 FTE, phased mainly towards 2024/25 recognising the shortage of skills in this area. Our headcount requirement in this area has since increased in BP2 as NESO's roles across whole energy system planning have grown as has the need for the data, tools and models to facilitate the transition to Net Zero. Over the BP2 period we quickly grew our team to 23 FTE. We also chose to meet additional demand as cost effectively as possible through outsourcing capability, which cost £1.2m over the period. Our total spend over the period was £2.3m higher than our BP2 plan.

In BP2 our focus for zero carbon operability activity was our role in leading engagement with stakeholders to implement technologies required for zero carbon operation. During the period our resource levels have been broadly aligned to our plan, but we have incurred £1.2m additional consultancy costs mainly for DER visibility which is an ongoing programme to enhance the visibility of distributed energy resources across the system. The programme will be ongoing through the BP3 period and is expected to deliver consumer benefits of up to £150m per annum.

Other cost increases over the period are driven by:

- A small central project management team co-ordinating activities and outputs across the expanding Role 3 activities, which will be critical for timely and effective delivery of the various planning outcomes (£0.4m)
- Additional capacity and capability in the energy and insights team to deliver the requirements of CSNP into FES24 and more capacity to support our advisory role (£0.5m)
- A higher management overhead with director oversight for connections reform and a separate directorate to manage engineering and customer solutions (£0.4m)

Investments

ID	Investment Name	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
340	RDP Implementation and Extension	7.7	3.4	1.8	5.2	-2.5
350	Planning & Outage Data Exchange	3.3	1.1	1.5	2.6	-0.6
360	Offline Network Modelling	3.5	1.6	1.9	3.5	0.0
380	Connections Platform	3.0	1.9	4.6	6.6	3.5
390	NOA Enhancements	6.0	3.2	1.6	4.9	-1.1
500	Enhanced Frequency Control	0.2	0.1	0.1	0.2	0.0
650	Accelerating Whole Electricity Flexibility	0.1	0.0	0.3	0.3	0.2
690	Geospatial Data & Location Int.	0.0	0.0	0.6	0.6	0.6
700	Strategic Energy Planning	0.0	0.0	0.4	0.4	0.4
	Total	**23.8**	**11.4**	**12.8**	**24.2**	**0.4**

340 Regional Development Programme (RDP) implementation and extension (-£2.5m)

This investment delivers our technology capability to support zero carbon operations for electricity transmission and distribution networks. We are implementing an integrated data exchange and situational awareness capability with DNOs and DSOs, enabling coordinated access to DERs and management of service conflicts, via extension of RDPs.

During the BP2 period we have delivered several initiatives to allow connection of DER and manage network constraints. This has resulted in the availability of more zero carbon generation and a reduction in constraint costs.

During BP2 we agreed with Ofgem to discontinue the Generation Export Management System (GEMS) project under this investment which is best placed to be delivered through

the Enhanced Balancing Capability project. This is the reason for the underspend in the BP2 period.

380 Connections Platform (+£3.5m)

During BP2, we delivered the Connections 360 Portal Suite, which provides a single 'hub' capability for guiding customers through connection to the energy transmission network and online account management functionality for all live projects. This has also enabled customers to see regular updates on the progress of their active applications as well as information on other projects already contracted. The portal also supports priority modelling on Future Energy Scenarios, enabling agile modelling and diverse scenario configurations, reducing manual effort and aiding Clean Power decisions, providing greater insight into the GB connections landscape.

Our £3.5m additional spend during the period was driven by Connections Reform which required the implementation of technology changes to deliver the necessary updates to the Connections Platform that were not part of the original BP2 scope. To support the reformed Connections process there were Data and Analytics changes, including the validation of required data to support the queue reordering process.

Indirectly Attributable Costs (All BP2 roles)

Our assessment for value for money is not only based on costs which are directly driven by activities within a particular role. Some activities support all roles equally and a summary of these costs and our forecast against the BP2 plan is given below.

For 2024-25, following our organisational restructure, it is no longer possible to distinguish incremental run the business costs for business support areas relating to the establishment of NESO from ongoing costs. Therefore, a methodology to allocate costs between BP2 Roles Assessment and the ISOP Implementation Assessment has been agreed with Ofgem.

Note that there was no update from the original RIIO-2 plan submission for the BP2 plan costs which were allocated by National Grid to its regulated entities where services or projects are shared across the National Grid group. Therefore, for allocated capex, business support (excluding IT & telecoms), and other price control costs all values for BP2 are based on RIIO-2 final determinations. IT & telecoms business support costs were revised in our BP2 submission only to reflect the expected incremental support costs driven by our DD&T investment portfolio.

A summary of indirectly attributable costs, which are evenly allocated to all 3 roles is shown below.

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Supporting Operational Costs	16.5	8.7	8.9	17.7	1.2
Property Capex	10.7	1.7	1.4	3.1	-7.6
Other Capex	21.3	10.1	28.8	38.9	17.6
Business Support Costs	166.7	64.1	109.1	173.2	6.5
Total Indirectly Attributable Costs	**215.2**	**84.7**	**148.2**	**232.9**	**17.7**

Supporting Operational Costs

There are several teams that work across the NESO business rather than being dedicated to one Role. They carry out activities that we refer to as “cross-cutting”. These teams are Business Change, Innovation, Assurance, and Regulation and Customer & Stakeholder.

During the period we have made a shift in focus on customer experience. Following internal and external engagement, we have introduced a new Customer Services Operating Model which is transforming our approach to query and relationship management. Over the period we have introduced an additional 11 FTE at a cost of £1.2m. This additional investment allows us to manage increasing query volumes, improve response times, free up time across business teams and create a digital first experience for our customers.

We have grown our innovation team with an incremental 17 FTE over the BP2 period. This has only driven a small £0.4m cost increase as most of our innovation work is covered by industry innovation funding initiatives, which continue to deliver benefits for consumers. For example, our Distributed ReStart project is enabling Distributed Energy Resources (DER) to provide restoration services. This will increase competition and diversity in the market and reduce costs associated with large generator readiness. We estimate that this will deliver £115m in benefits to 2050.

Our innovation portfolio has expanded more rapidly than expected in the period and is critical to helping us meet the challenges of transitioning to a net zero future. As part of this, Artificial Intelligence (AI) and Machine Learning (ML) solutions have become core components of our innovation portfolio. For example, we are delivering projects that will revolutionise our Control Room operations and future-proof a rapidly changing energy landscape through Adaptive AI. This will provide enhanced forecasting, optimised dispatch, improved monitoring and better management of increasingly complex grid operations which will ultimately further optimise costs for consumers.

Property Capex

Property capex relates to spend on NESO occupied properties. This is primarily spending on our Wokingham site but also covers enhancements for the contingency control centre, Warwick and regional offices. We spent £7.6m less than planned over the BP2 period.

The majority of planned spend in BP2 was to refurbish our Wokingham site. Whilst we have completed some smaller areas of our overall refurbishment plan, we are validating business requirements for the other areas of spend to ensure the scope of future refurbishment fully aligns to our ways of working and capacity restraints as well as our need to improve sustainability, inclusivity, and accessibility.

Other capex

Our spend on other capex relates to IT investment which is not directly attributable to a role such as CNI infrastructure, Business Services systems, Hosting, IT Operations and Tooling, Infrastructure, Enterprise Data Networks and End User Computing. During the period we spent £17.6m more than in our BP2 plan with two key drivers for additional spend.

Firstly, we have prioritised additional funding to enable us to remediate technical debt. We have spent £11.7m on core infrastructure asset refresh, which will reduce core systems reliance on legacy middleware and build integration services using strategically aligned integration products. This will drive benefits through:

- Replacing expensive legacy technology products with consumption-based pricing of modern cloud-based integration products
- Introducing a more modern architecture which will help with independently securing, scaling and managing the integration of core business systems
- Aligning our integration services, making it easier to manage our technology landscape and provide faster system interactions

Secondly, during the period we have invested £5.7m in our CNI network services to replace services and hardware which were end of life and required replacement to ensure

efficient and effective continuity of services in a critical high availability network environment. This work had not been included in our BP2 plan. A competitive tender was required to re-procure the scope of the current managed CNI telecommunications network services contracts and to separate the legacy provision of Gas and Electric CNI managed network services. The Request for Proposal (RFP) scope included the design, build, operation, inspection, maintenance, and upgrades of the telecommunications network infrastructure as well as ensuring the ongoing management of critical operational functions. This investment also supports the separation of NESO systems from National Grid.

Business Support Costs (excluding incremental running costs)

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
IT & Telecoms	133.8	41.2	85.5	126.7	-7.1
Property Management	11.4	7.9	8.5	16.5	5.1
HR & Non-Operational Training	4.8	3.3	3.3	6.7	1.8
Finance, Audit & Regulation	6.6	5.4	5.4	10.9	4.3
Insurance	1.8	0.6	0.6	1.3	-0.5
Procurement	1.4	0.5	0.5	1.1	-0.4
CEO & Group Management	6.8	5.1	5.1	10.2	3.3
Total Business Support Costs	**166.7**	**64.1**	**109.1**	**173.2**	**6.5**

IT & Telecoms (DD&T costs)

Over the full period our DD&T costs were £7.1m lower than our BP2 plan. Costs in 2023/24 remained at levels seen in the BP1 period, which were lower than we had forecast due to a slower integration of incremental running costs driven by technology investment. Costs increased significantly in 2024/25 with the key drivers explained below.

Over the period we made organisational changes to strengthen our capability in areas such as security, data & AI and delivery.

We have built a security team of 57 FTE managing threat intelligence, incident response and risk management. This allows us to proactively identify and mitigate cyber security risk through conducting risk assessments and developing risk mitigation strategies. This ensures our critical systems remain secure and protects NESO critical data and the data of our customers from cyber threats.

The work of our newly formed data and AI team (28 FTE) will support us as we work across the organisation to provide robust data services and technology, ensuring that the data is shareable, interoperable, and of high quality. We launched the pilot phase of the Data Sharing and Infrastructure (DSI) initiative and will take on the interim role as DSI co-ordinator helping to drive greater availability and standardisation across the energy sector. This will provide greater visibility of energy generation, transportation and use as well as creating key strategic and regional planning benefits.

As the volume and complexity of investment delivery has increased over the RIIO-2 period we have strengthened our delivery teams. We continue to deliver technology solutions whilst ensuring accelerated adoption, stability, security, financial discipline, and governance of the portfolio. We have also introduced a Transitional Service Agreement (TSA) office which is necessary to manage the TSAs with National Grid and ensure a timely exit of agreements as we move to a full separation.

Prior to the 2024/25 period we did not see investment driven increases to our operating costs at the level we had anticipated, partly due to slower delivery in some areas. However, in 2024/25 we saw an increase of circa £17m in our support costs as infrastructure and applications were commissioned into production. Key drivers of this cost were core CNI infrastructure (£4m), balancing platform (£3m) and the data and analytics platform (£1m).

For the 2024/25 accounting period we changed our accounting policy regarding capitalisation of management overheads. Circa £6m of cost that would have been expected to be incurred as capex has therefore been realised within our operating cost base.

Property Management

Property management costs in our BP2 plan were unchanged from our original RIIO-2 business plan submission. The £5.1m increase over the period has been driven by:

- New lease costs associated with properties in London (£1.4m) and Glasgow (£0.5m). Acquiring this office space allows us, as an independent organisation, to have a presence closer to our customers and stakeholders and serves to widen the geographical area for attracting talent into our organisation.
- The lease costs for our CNI data centres. These sites are critical to the secure and resilient operation of our critical systems (£1.5m).
- The remaining increases have been related to the running of our Wokingham and Warwick sites with a key driver being higher utility costs due to market conditions that were not foreseen at the time of the RIIO-2 plan submission.

Other business support costs

Costs across our other supporting functions have remained flat year on year, as costs above those incurred in 2023/24 are deemed to be because of the additional costs of creating standalone functions separate from the National Grid Group.

Key drivers of the increases in the underlying costs compared to BP2 across these functions are explained below:

- Throughout the RIIO-2 period our people growth agenda has focussed more on recruiting graduates and apprentices with related skills for further development. This has increased our HR costs compared to the BP2 baseline. This has brought benefits in sourcing the specific skills and capabilities required, while typically seeing a much higher rate of retention.

- Finance costs have remained broadly in line with BP1 but have been higher than our RIIO-2 plans with more focus on risk management and control.
- Chief Executive Officer (CEO) and Group management costs have remained in line with our BP1 spend. The key driver of increase compared to RIIO-2 plans has been in resourcing our own internal Corporate Affairs team. We have created a Corporate Affairs function that is independent of National Grid Group, handling a large volume of national media enquiries and requests. We also created our website and content, separate from National Grid, which is a key source of information for our customers and stakeholders.

Other Price Control Costs

Category	BP2 Plan (£m)	2023-24 Spend (£m)	2024-25 Spend (£m)	Total 2023-25 Spend (£m)	Vs BP2 Plan (£m)
Other price control costs	27.1	13.6	11.2	24.8	-2.3

Other price control costs relate to cyber security costs and are £2.3m lower than our BP2 plan. This portfolio is being delivered as a plan across the National Grid Group businesses and progress is reported separately under separate regulatory obligations.

Cost Benchmark Summary Table

	Funding Category	BP2 £m	2023/24 Actual £m	2024/25 Actual £m	Total £m	Variance £m
TOTAL	Total Role 1 Costs	313.6	130.2	154.8	285.0	(28.6)
	Total Role 2 Costs	176.3	80.5	102.0	182.5	6.2
	Total Role 3 Costs	161.0	71.0	97.5	168.4	7.4
	Total Price Control Costs	**650.9**	**281.7**	**354.3**	**636.0**	**(14.9)**
Role 1	NESO Opex	67.7	33.5	34.0	67.5	(0.2)
	Investment	165.1	64.0	67.6	131.6	(33.6)
	Total Directly Attributable to Role 1	**232.9**	**97.5**	**101.7**	**199.1**	**(33.7)**
	Supporting Operational Costs	5.5	2.9	3.0	5.9	0.4
	Indirect & Other Capex	10.7	4.0	10.1	14.0	3.3
	BSC	55.6	21.4	36.4	57.7	2.2
	Other Price Control Costs	9.0	4.5	3.7	8.3	(0.8)
	Total Indirectly Attributable to Role 1	**80.8**	**32.8**	**53.2**	**85.9**	**5.1**
Role 2	NESO Opex	39.1	17.8	20.0	37.9	(1.3)
	Investment	56.4	29.9	28.8	58.8	2.3
	Total Directly Attributable to Role 2	**95.5**	**47.7**	**48.9**	**96.6**	**1.1**
	NESO Opex	5.5	2.9	3.0	5.9	0.4
	Capex	10.7	4.0	10.1	14.0	3.3
	BSC	55.6	21.4	36.4	57.7	2.2
	Other Price Control Costs	9.0	4.5	3.7	8.3	(0.8)
	Total Indirectly Attributable to Role 2	**80.8**	**32.8**	**53.2**	**85.9**	**5.1**
Role 3	NESO Opex	56.4	26.8	31.5	58.3	1.9
	Investment	23.8	11.4	12.8	24.2	0.4
	Total Directly Attributable to Role 3	**80.2**	**38.2**	**44.3**	**82.5**	**2.3**
	NESO Opex	5.5	2.9	3.0	5.9	0.4
	Capex	10.7	4.0	10.1	14.0	3.3
	BSC	55.6	21.4	36.4	57.7	2.2
	Other Price Control Costs	9.0	4.5	3.7	8.3	(0.8)
	Total Indirectly Attributable to Role 3	**80.8**	**32.8**	**53.2**	**85.9**	**5.1**

ISOP Implementation

The ISOP Implementation Assessment looks at the work carried out to establish NESO and its new roles. This includes all work throughout the BP2 period, even following the designation of NESO on 1st October to become an independent entity. It also considers NESO's performance for the new roles and responsibilities that were not incorporated within the BP2 plan.

FSO Transition Activities – One Off Costs to Achieve

The FSO blueprint submission provided an indicative plan for the one-off transformational activities that the ESO would have to undertake to become NESO – these are also referred to as Costs to Achieve (CTA) and are detailed below.

Category	Sub Category	FSO Blueprint Forecast to 31st March 2025	Spend to 1 October 2024	Post 1 October Spend	Spend up to 31st March 2025	Variance
		£m	£m	£m	£m	£m
People	Recruitment	2.3	0.5	-0.2	0.3	-2.0
	People Transformation	0.3	0.0	0.3	0.4	0.1
	Training/Onboarding	0.8	0.5	-0.1	0.3	-0.5
	Other People	6.5	2.9	-0.1	2.8	-3.7
	People Total	**9.9**	**3.9**	**-0.1**	**3.8**	**-6.1**
Systems and Data	Direct Applications	3.0	4.2	2.7	6.9	3.9
	Cyber Security	3.0	1.6	3.3	5.0	2.0
	Platforms and Infrastructure	19.0	15.2	10.9	26.0	7.0
	Unstructured Data	1.0	1.0	0.2	1.2	0.2
	Finance ERP and Connected Platforms	18.8	3.9	3.3	7.1	-11.7
	Dual Running	8.0	0.7	-0.7	0.0	-8.0
	Systems & Data Total	**52.8**	**26.5**	**19.7**	**46.3**	**-6.6**
Assets	Contingency Control Centre	4.9	1.1	1.0	2.1	-2.7
	Office Fit-Outs	0.8	2.2	3.4	5.6	4.8
	Other Assets	0.0	0.0	0.0	0.0	0.0
	Assets Total	**5.7**	**3.3**	**4.4**	**7.7**	**2.1**
Contracts / Transaction / Legal	Contracts	3.5	2.9	-0.2	2.7	-0.8
	Transaction/Legal	0.3	0.3	0.2	0.5	0.2
	Contracts/Transaction/Legal Total	**3.8**	**3.2**	**0.0**	**3.2**	**-0.6**
Transition & Transformation Management	Internal ESO Costs	18.5	12.6	-0.1	12.5	-6.0
	External Partner/Specialist Costs	20.8	18.8	0.0	18.8	-1.9
	Transition & Transformation Management Total	**39.3**	**31.4**	**0.0**	**31.4**	**-7.9**
Total	**ISOP CTA Total**	**111.5**	**68.4**	**24.1**	**92.5**	**-19.1**

Pre-Day 1 spend

In accordance with our licence (condition F10 part C) we have already published our 'Day 1' report[2], which sets out the outcomes and deliverables achieved, and the costs incurred up to the date of separation (Day 1).

Prior to Day 1 all 167 deliverables that were outlined in our transformation roadmap as being critical for separation were successfully achieved. This was done through close

[2] Ofgem Programme Closure Report

collaboration with Ofgem, DESNZ and National Grid. Through this we achieved the following outcomes:

- **Established NESO as an independent system operator and planner** by designing and implementing new roles, processes, and systems, while building the necessary capabilities.
- **Created a strong organisational governance framework** with new licences, codes, and regulatory structures to ensure NESO's long-term success.
- **Developed NESO as a fully independent entity**, complete with its own support services, smooth transfer of personnel from National Grid, Transitional Service Agreements (TSAs) in place, and safe and secure system cutover.

Spend up to Day 1 of £68.4m was within the range of spend that we set out in our FSO Blueprint (£68m – £74m) and below the cost cap that had been set by Ofgem in September 2024 (£70m).

Our underspend of £6m compared to the high range estimate of £74m was due to variances in the following workstreams:

People(-£6m) - Using our own internal recruitment teams allowed us to secure the necessary capabilities and talent for the enabling functions and new roles, minimising the need for external agencies. Our strong Employee Value Proposition (EVP) enabled us to retain our current talent reducing training and onboarding spend.

Systems & Data (-£2m) – To deliver day 1 ERP systems separation we had to logically rather than physically separate our IT systems. This means that we did not incur the planned dual running costs of systems. These costs will be incurred as part of Day 2 programme as we physically separate from National Grid applications and infrastructure.

Assets (+£1m) – To accommodate an increased number of employees and to enhance our EVP we are spending more on the fit out of our Warwick Office. This will improve working space, enabling collaborative ways of working and will benefit growth, attraction and retention of talent.

Transition & Transformation Management (+£1m) – Our Day 1 date was later than our planning assumption in the Blueprint which meant that external partner support was required for longer.

During each phase of the FSO Programme, a range of measures were used to ensure that costs remained both economic and efficient while still achieving the programme's strategic objectives.

Ofgem introduced a 'cap' on costs incurred up to separation. This ensured accountability and economic efficiency during the transition. We created contingency plans to ensure we could accommodate any unforeseen costs, which was overseen by strong programme governance.

Cost management was a key component of the Detailed Design phase. We undertook a detailed cost benefit analysis and maturity assessment for each core capability identified as part of the business architecture mapping process. Through this, we identified gaps in

current maturity vs the target maturity required to deliver RIIO-2 business plan. We then implemented robust and cost-effective solutions, maximising benefits for consumers.

Throughout the programme we maintained an agile approach to project planning and resourcing. We leveraged permanent internal FTEs to ensure sustainable run-the-business capabilities and reduce reliance on external parties, increasing cost efficiency. We continually reviewed outsourced support based on programme needs, with timely roll off and reallocation of resources where required.

Post Day 1 Spend

Completion of Day 1 non-critical deliverables (£3m)

Since separation we have continued the fit-out of additional office space at our Warwick site at a further cost of £3.4m. The refurbishment was completed in April 2025. The new workplace has been created to foster collaboration. Designed as a pilot space, we will test new ways of working that help us to enhance our consumer benefit through stimulating improved collaboration, fostering innovative thinking and accelerating our pace of delivery through an inspiring office environment that embodies our values.

Since Day 1 we have completed the setup of the new DB pension scheme for existing DB Pension Scheme members moving across from National Grid. Transfer of the existing assets and liabilities associated with these members will happen on 30th June, but we do not expect to incur any significant additional costs.

Day 2 spend (£21m)

Systems & Data (£20m)

The Systems & Data workstream is focussed on 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. Up to Day 1 we delivered Foundational service activities which include new platforms for service management and Cloud (MS Azure platform), and initiated procurement activities for a new ERP system and connected applications.

Since Day 1 we have initiated a programme of work to complete the separation activities in the FSO Blueprint and meet essential requirements to establish an independent NESO. It will ensure safe, resilient Security capabilities and Business Units; DD&T, HR, Finance and Procurement teams, along with NESO's own Technology Infrastructure, end user services and the creation of systems, applications, platforms, processes and services. This will enhance autonomy and user experience and enable us to exit our Transitional Service Agreements by 30 September 2026 (Day 2).

Our programme has been through our internal sanctioning process. Through this process we have tested various options to ensure we will deliver the best value for money. For example, we have decided to move away from the simplest and cheapest short-term solution of 'Lifting and Shifting' the current National Grid landscape into NESO for our enabling services systems.

Mirroring the current estate would lead to a solution which is both difficult and expensive to maintain, meaning increased maintenance costs for a platform in which vendors are no longer investing. To meet our strategic ambition, it is critical that we do not adopt legacy processes and systems which are onerous, complex and from a technology perspective, in many instances near end of life. Transforming enabling services through a new cloud service will provide opportunity to review, simplify and transform the business to meet the needs of a smaller, national organisation. Efficiencies will be delivered sooner whilst avoiding a second programme of change in the coming years.

In January 2025 we selected a vendor for our ERP solution and remain on track to deliver a fully separated ERP system by April 2026. We have continued to work on the migration of our foundational services and remain on track to deliver our first milestone of corporate network separation in Q1 2025/26.

Contingency Control Centre (£1m)

The creation of a fully independent Energy System Operator requires NESO to have its own environment to accommodate Control Room contingency facilities for the Electricity National Control Centre. So far, we have spent £2m on initial planning and design activities. We are continuing to review options so that we can deliver the required outcomes in the most efficient and cost-effective way.

FSO Transition Activities – incremental running costs

Category	Sub Category	FSO Blueprint £m	2023/24 Spend £m	2024/25 Spend £m	Spend up to 31st March £m	Variance £m
Whole System	Contingency Control Centre	0.0	0.0	0.0	0.0	0.0
	Office of Energy Resilience	7.7	0.3	3.2	3.4	-4.3
	Whole Energy / Gas Market Strategy	2.4	0.3	1.6	1.9	-0.4
	Procurement Body - Early Competition	1.9	0.0	0.1	0.1	-1.8
	Whole Energy / Gas Network Systems Planning	3.2	0.4	1.4	1.8	-1.4
	Advisory Roles	7.8	0.2	2.9	3.2	-4.6
	Other Whole System	1.8	0.3	1.3	1.6	-0.2
	Whole System Total	**24.7**	**1.5**	**10.5**	**12.1**	**-12.6**
Enabling Functions	Corporate Affairs/Corporate Audit	1.0	0.1	1.0	1.1	0.1
	Legal	0.1	0.0	0.6	0.6	0.5
	HR	4.1	0.1	5.2	5.3	1.2
	Property Management	1.5	0.0	0.0	0.0	-1.5
	Finance	4.4	0.0	4.8	4.8	0.4
	Insurance	1.1	0.0	0.6	0.6	-0.5
	Procurement	0.9	0.0	2.2	2.2	1.3
	Enabling Functions Total	**13.1**	**0.2**	**14.5**	**14.6**	**1.5**
DD&T Function	DD&T (IT Function)	0.6	0.0	0.0	0.0	-0.6
	DD&T Function Total	**0.6**	**0.0**	**0.0**	**0.0**	**-0.6**
Total	**ISOP iRTB Total**	**38.5**	**1.7**	**25.0**	**26.7**	**-11.8**

Whole System

Our separation blueprint outlined the need to source new capabilities to support our new roles in whole energy, resilience and advisory. We estimated that we would hire an additional 157 FTE across these new capabilities. To date we have hired an incremental 166 FTE. The ramp up of capability has been more gradual than we had forecast and therefore we have spent £12.6m less than in our FSO blueprint.

Enabling Functions

In our separation blueprint we forecast that the cost of running standalone enabling functions would be higher than costs we had previously been allocated as part of the National Grid Group. This incremental cost is driven by the dis-synergies of setting up functions dedicated to NESO.

In line with our forecast, we have seen an increase in FTE in our corporate affairs team. As our role at the heart of the energy industry expands, our political relationships are more critical than ever. Our public affairs team ensures that the decarbonisation debate in Westminster is informed by independent, data driven views. They also manage and develop our European and international relationships. Engaging across these audiences provides a platform to position NESO, and GB, as a leader within power system decarbonisation. Our communications team manages international, national, and local media across print, broadcast and non-traditional media, as well as crisis communications. As our size, roles and responsibilities grow, the role of the media team is to manage NESO's reputation through these mediums.

Incremental costs for our legal team in 2024/25 have been £0.5m higher than forecast. This has been largely driven by outsourced legal support for procurement activity for new NESO contracts.

Incremental costs in 2024/25 associated with our HR activities was £5.2m which was £1.2m higher than in our blueprint. Costs associated with running our separate pensions arrangements was £2.4m lower than planned, which was partly due to the timing of separation of the DB pension scheme which will be effective from April 2025. This was offset by higher costs in our graduate, trainee and apprentice schemes reflecting our strategy to develop skills and capabilities in-house. 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. We also have additional FTE across all our people teams which reflects:

- Support and administration of a larger pool of early careers talent development
- Managing a new savings scheme which was introduced to replace the previous National Grid Sharesave scheme
- Higher numbers of FTEs across the business drives higher workloads around case management, onboarding and exiting employees, payroll transactions and data management
- Management of Transitional Service Agreements for services still provided by National Grid

We have seen increases in property management costs over the BP2 period. However these have been due to factors other than separation from National Grid. Increases in property costs have been explained in our Indirectly Attributable costs narrative.

Our costs for the finance function have increased by £0.4m more than forecast in our blueprint. Within our finance teams we have increased our operational finance team by 9 FTE. We have chosen to onshore revenue collection activities previously being done offshore, to improve customer service and team capability, and reduce cost. We have increased headcount to manage higher volumes of purchasing transactions than forecast, as well as needing more support to manage growth in revenue related transactions driven by higher volumes of connection applications.

We anticipated that insurance costs would increase for a standalone NESO by £1.1m per annum. From 1st October we have procured, through competitive tender, our own insurance policies. For areas such as cyber and crime insurance we have seen material dis-synergies solely due to losing the benefit of the wider National Grid insurance programme, which included a significant element of internal risk transfer, before accessing the commercial insurance market. The incremental cost of £0.5m in 2024/25 relates to the 6 months to 31 March 2025. The full annual incremental cost of circa. £1m is in line with our blueprint.

In the BP2 period we have set up our standalone procurement function with an incremental cost of £2.2m. We have transitioned activities from National Grid whilst at the same time building our own policies and processes. This ensures we promote competition, foster supplier diversity and achieve sustainable outcomes whilst manging risk and compliance with regulations. Our team has expanded to incorporate all pathfinder procurement contracts as well as digital and data contracts which were not within the scope of the procurement function outlined in the blueprint. Our procurement team has provided dedicated procurement support to delivering the Pathfinder projects which we estimate will deliver £1.4bn of benefits over the RIIO-2 period. We have also begun the transition to a new procurement platform which will provide seamless and integrated requisition-to-contract, supplier insights and risk management processes.

FSO New ISOP Roles

There are two new roles which have been granted to NESO, which were not included in the BP2 or the FSO blueprint. They are set out in the table below.

Sub Category	FSO Blueprint	Pre 2023/24 Spend	2023/24 Spend	2024/25 Spend	Spend up to 31st March 2025	Variance
	£m	£m	£m	£m	£m	£m
Strategic Spatial Energy Planning (SSEP)	0.0	0.0	1.2	6.1	7.2	7.2
Regional Energy Strategic Planning (RESP)	0.0	0.0	0.0	3.6	3.6	3.6
New ISOP Roles Total	**0.0**	**0.0**	**1.2**	**9.6**	**10.8**	**10.8**

Strategic Spatial Energy Planning (SSEP)

In October 2024 the energy ministers of Scotland, Wales and the United Kingdom commissioned NESO to produce the first ever spatial plan for energy across GB. The SSEP will accelerate and optimise the country's transition to clean, affordable and secure energy by providing greater certainty for investors, regulators and other key players.

Over the BP2 period we have developed a draft SSEP methodology, with the work and stakeholder engagement starting ahead of the formal commission. We set up a governance structure to support SSEP development and to ensure that the SSEP aligns to the clear purpose outlined in the commission. Following the formal publication of our draft methodology in December 2024 we are working through stakeholder feedback ahead of publishing a final version of our methodology in May 2025.

Our SSEP work has been delivered through a combination of an in-house team (£4.1m) and support from external consultants (£3.1m). Our internal team has grown to 58 FTE at March 2025. We have used consultancy support to provide additional modelling capacity, stakeholder engagement activities, environmental and community consultancy services, research and focus groups.

Regional Energy Strategic Planning (RESP)

In November 2023 Ofgem appointed NESO as the delivery body for Regional Energy Strategic Planning. 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).

After appointment we began to set the foundations for the RESP role. We recruited a small implementation team of 7 FTE to support detailed design, start to build key stakeholder relationships and develop the plan for the methodology and ED3 (Electricity Distribution price control) development. In February 2024 we sought approval from our internal sanctioning committee to increase our headcount to 70 FTE by the end of FY25. Given the inherent uncertainty at that time in how the role would be scoped, approval was given for a further 21 FTE to support phase 2 of our work to start developing the methodology and operating model and build regional credibility and presence. Following Ofgem's RESP policy framework consultation and decision in August 2024 we gained more clarity on

RESP outputs, interactions with wider planning, boundaries, the delivery model and governance. We were then granted internal approval to recruit a further 42 FTE. This additional headcount was to allow us to:

- Recruit two Heads of Region to give more leadership support to regional managers and to enable full recruitment of regional managers across GB.
- On-board a small team to support each of the regional managers growing regional capability and presence and providing resilience across the teams.
- Take on temporary change support resource to ensure regional offices are set up in a consistent way ensuring new teams have central support.
- Recruit the skills and capabilities to support the methodology development and ED3 delivery.

To supplement our own internal resources, we have also used the skills of specialist partners to provide additional support in delivering our strategy and roadmap at a cost of £1.0m.

At the end of the BP2 period we had 64 FTE and have so far spent £3.6m.

Appendix 1

Governance model and decision making

Governance and oversight are a key enabler in driving value for money. We understand that a rapidly evolving energy landscape means we need to continually reassess where we direct our resources to ensure that we optimise overall delivery. We deploy a rigorous governance cycle to oversee performance of the business and support decision making in line with the Board approved delegations.

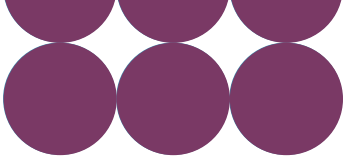
- **Board:** Corporate governance starts at the top of the organisation with the responsibilities of the Board. The Board of Directors must act following the four principles of governance - accountability, transparency, fairness and responsibility - always seeking to act in the best interest of stakeholders, 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 reviews management performance. The Board sets our values and standards and ensures that its obligations to its shareholder 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):** The 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

Cost Monitoring Framework (CMF)

Q3-Q4 2024-25 Summary



Overview

Following our Business Plan 2 (BP2) submission, Ofgem outlined the requirement for a Cost Monitoring Framework (CMF). The objective of the CMF is to provide visibility of our BP2 Digital, Data and Technology (DD&T) delivery progress and cost management, and the value being delivered across the BP2 DD&T investment portfolio. It also provides transparency of DD&T key achievements, risks and strategic decisions. The CMF framework will remain in place for our BP3 investments.

The RIIO-2 incentives scheme is the framework Ofgem uses to assess our performance against our RIIO-2 business plan and associated BP2 delivery schedule milestones. Separately, the CMF reports against our BP2 DD&T Annex 4 delivery roadmaps with its own schedule of DD&T-specific milestones. The CMF is not used directly to assess our performance, but it may be used as evidence as part of our 'Value for Money' assessment.

Our DD&T investments are critical enablers for many of our RIIO-2 deliverables, and it is important to understand dependencies between them. Our published BP2 delivery schedule provides a high-level view of where DD&T investments and BP2 deliverables are related to one another.

As per the NESO Performance Arrangements Governance (NESO PAG) Document, we are required to provide quarterly reports directly to Ofgem as part of the CMF. We feel it is important to share updates with our external stakeholders and industry as part of the framework. So, we are including a summary of the CMF update every six months alongside our incentives reporting.

This appendix provides a summary of the previous six months (Q3 and Q4 2024/25) of the CMF across our DD&T investment portfolio and includes:

- **Delivery performance** – covering main achievements during the last six months.
- **Governance outputs** – an overview of current main delivery risks/issues plus key strategic decisions taken in last six months.
- **Cost performance** – a comparison of BP2 submission vs latest approved spending profiles.

High-Level Portfolio Summary (Q3-Q4 2024-25)

Following confirmation of CMF requirements with Ofgem, we continue to develop our internal CMF reporting governance and processes to enable a regular quarterly reporting cadence. In line with Ofgem's requirements The CMF Submission approach has remained the same as per the agreed submission process. We have enhanced the automation introduced in the previous quarter and added a new process in Microsoft word to improve the review and feedback cycles between the teams. A new TSA exit CMF application and process has been developed and tested with the first report being published at the end of FY26 Q1

As per the latest approved spend figures, our latest sanctioned position is £14.1m above our BP2 submission overall. This difference has also been affected by the application of the new conversion rates. Individual investment variance justifications are outlined within

each financial section. However, note that at a portfolio level our current latest approved spend over the 5-year RIIO-2 period is within our BP2 plan. 'Approved spend' refers to the full BP2 sanctioned spend. Our actual spend for the BP2 period was £30.8.m below forecast in the BP2 plan for the period. £21.5m of this underspend across BP2 Investments was redirected to fund priority initiatives like reducing technical debt, CRM fixes, and improving data management during FY25. DD&T assessed these activities based on priority, risk mitigation, and benefits to ensure continued value. The benefits are organisation wide, not just for DD&T. Further detail on cost variance at a role level is detailed in next role sections.

During the two quarters we have sanctioned 700 Strategic Energy Planning, 690 Geospatial and Locational Intelligence, FSO Day 1 to day 2, The MFT Replacement and 830 Data Sharing Infrastructure. There has also been the re-sanction of 270 Role in Europe and 280 GB Regulatory changes into a single investment line. Other re-sanctions include 380 Connections Platform, 130 Emergent technology and systems management and 360 Offline Network Modelling.

We have conducted additional workshops with Gartner regarding high-performing Architecture teams. This engagement focused on Strategy & Architecture Lead Team dynamics and effectiveness alongside and we rolled out a dedicated Architecture curriculum via the Accenture Training platform

Agile Hygiene Dashboards (now referred to as Agile IQ) have been adopted by most Azure DevOps (ADO) teams and Automated Release Governance (integration between ServiceNow and Azure DevOps pipelines) proof of concept created for Mulesoft (CloudHub 2.0) platform. Customer Needs Analysis element of the Design Thinking framework used in Connections Reform helping to accelerate delivery

The Day 1 Readiness program successfully facilitated Day 1 technology readiness for the new NESO organization by delivering 5 new applications and rebranding 77 existing applications. It also managed the interface with the National Grid Traveller program to ensure effective deployment of corporate application rebranding and separation activities, including handling unstructured data and establishing new email domains for the NESO organization. Development of foundational capabilities to enable the exit of Transition Service Arrangements (TSA's) including new Networks, Cloud services, End User Digital Workspace, Security capabilities and Service Management capabilities are progressing well and are in implementation phase.

Role 1 (Control centre operations)

Executive summary	Role 1 has achieved multiple successful releases. The Greenlink Interconnector (Investment 120) between the UK and Ireland has now completed all business and DD&T testing and is now commercially active. Further service improvements are now being developed. Digital Engagement Platform have successfully achieved CIAM-EMR integration to provide secure access across Salesforce applications and the CP30 GIS maps solution to enhance electricity network visualisation. Other key achievements include: 110 Network Control **-** GE have finalised and released Reliance critical go-live feature development, including Enterprise Switching, Look Ahead Forecast, constraint analysis and sensitivity analysis 220 DAP – Completed platform upgrades to allow faster pipeline engineering and data ingestion. 670. The RTP programme released the minimum viable real-time capability to the control room

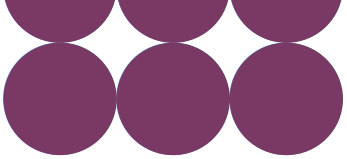
The table below shows the current Role 1 position. It shows our BP2 submission figures for FY24 and FY25, and the same years are shown for the approved values through our whole life sanctioning process in "Approved BP2 Spend".

Latest DD&T role spend	**£m**	**FY24**	**FY25**	**Total**
	BP2 Submission	80.9	81.6	162.5
	Approved BP2 Spend	83.8	80.8	164.6
Rationale	Role 1 has underspent against its latest approved figures across BP2 and this can be attributed to the underspend across BP2 Investments which was redirected to fund priority initiatives like reducing technical debt, CRM fixes, and improving data management during FY25. DD&T assessed these activities based on priority, risk mitigation, and benefits to ensure continued value. The benefits are organisation-wide, not just for DD&T.			

Investment summary

Investment summaries are organised in line with programme delivery groupings.

110 Network Control	
Delivery and spend update	The Network Control Management System (NCMS) program, in collaboration with GE, has successfully finalised and released the critical go-live features for Reliance. These features include Enterprise Switching, Look Ahead Forecast, constraint analysis, and sensitivity analysis. Additionally, the rebuild of Active Directory in non-production environments across both NESO data centre's has been completed. This decision was made following the determination that Virtual Desktop Infrastructure (VDI) deployment was not a feasible way forward. Looking ahead, the programme will be deploying the Reliance 2025.1.F and GridOS product versions to the NESO Non-Production Test environment. This deployment will include baseline security requirements (BSRs), NESO security scanning of artifact delivery, and refinements to deployment pipelines. **Achievements over the last 6 months:** • Additional product features completed as part of Reliance 2024.2, including: UI for group alarms, generation forecast, STE limits to SCADA and TSM critical modelling. • Grid Data Connect PoC completed proving data flows from/to NCMS emulator, PEF and DAP (Data Analytics Platform - Aveva PI). Grid Data Connect validated for non-CNI interfaces. • GE have finalised and released Reliance critical go-live feature development, including Enterprise Switching, Look Ahead Forecast, constraint analysis and sensitivity analysis. • Completed Active Directory rebuilds of non-prod environments across both NESO data centres. • NCMS Production environment provisioning impacted by resolution non-prod deployment issues; final stages of activity relate to end user access from non-datacentre locations. • Execution of initial Reliance (2024.1) and WAMS test cycle on GE On-prem environment to verify feature delivery, test coverage and identification of defects. • Setup of GE on-premises emulators to test external interfaces, including: ICCP, IEC101, IEC104 and GI74. • Mobilisation of Grid Data Connect team, designs complete, deployment of Grid Data Connect at GE on-premises to aid Priority 2 interfaces (non-CNI). NESO teams engaged to commission of NESO Azure landing zone.



<table>
<tr><td></td><td colspan="6">• Strawman design of initial NCMS support Model, in context of a DevSecOps operation.
• Finalised Training curriculum and training sessions arranged with end-user communities.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£36.4m</td><td>BP2 submission with BP1 under/ overspend</td><td>£36.1m</td><td>Approved Spend</td><td>£34.8m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£58.1m</td><td>Approved Spend</td><td colspan="2">£58.1m</td></tr>
</table>

<table>
<tr><td colspan="7">120 Interconnectors</td></tr>
<tr><td>Delivery and spend update</td><td colspan="6">The Interconnector investment has continued to deliver on track with expectations within the 6-month period.

The new Greenlink Interconnector is now commercially live, and our focus now shifts to service improvements:

Across releases 6 & 7 we have delivered over 20 service improvements including:
• Price Time Stamp – Cross Border Balancing (CBB).
• Net Transfer Capacity (NTC) Breach Changes to the rules the system uses to determine when NTC is breached.
• Click on Count. This change has ensured users are able to view the details associated with the outstanding actions count on IFLO.
• Reporting Dashboard. This requirement has provided visibility of the reports IFLO sends to various downstream systems every day. This means that system administrators are now able to quickly identify when reports are either not sent or when there is a problem with their transmission.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£4.3m</td><td>BP2 submission with BP1 under/ overspend</td><td>£5.5m</td><td>Approved Spend</td><td>£2.8m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
</table>

	BP2 Submission	£10.9m	**Approved Spend**	£7.3m

170 Frequency Visibility						
Delivery and spend update	Early Life Support Activities (ELS) for the remaining CyberArk integration activities have now been completed successfully. A number of control room updates have been implemented, and System Frequency Enhancements testing is completed. **Achievements over the last 6 months:** • On FATE replacement, Early Life Support (ELS) - CyberArk integration activities complete and we delivered an improved Display delivered into Control Room. • Oscillation Guard Pro (OGP) - Full GB coverage - full rollout to control room complete. • SEN to NESO Bandwidth Increase. • Dynamic System Monitoring (DSM) Proof of Concept (PoC) - Scope confirmed, now working with confirmed participating Generators and Nortech to select the technical solution for the PoC.					
Spend	**FY24 & FY25 Period**					
	BP2 Submission	£4.0 m	**BP2 submission with BP1 under/ overspend**	£4.8m	**Approved Spend**	£4.2m
	FY22 to FY26 Period					
	BP2 Submission	£6.8m		**Approved Spend**	£6.4m	

180 Enhanced Balancing Capabilities	
Delivery and spend update	We have continued to make positive steps within the Enhanced Balancing Capability investment. The Integration to Data Analytics Platform to store Business Audit data to allow business users to create post analysis reports has been completed.

<table>
<tr><td></td><td>We have also delivered integration to our Data Analytics Platform to store business audit data and allow business users to create post analysis reports.

Releases:

• Strategic framework to allow multiple individual windows to be managed through a centralised hub and save a "layout" based on user profile.
• Enhancement to instruction generation algorithm to assure that no breach of market participant data happens when some of the instructions in a chain are not desired based on high prices.
• Remediation of any identified Security threats and patching system to required version of dependent libraries.
• Enhances the optimisation model to allow units to cross zero (export to import and vice versa) without needlessly enforcing Minimum Non-Zero Time (MNZT). This allows better utilisation of battery units.
• Situational awareness for control room users to see profiles for all units and zones within OBP in addition to visibility of constraints.
• Integration to Data Analytics Platform to store Business Audit data to allow business users to create post analysis reports.
• Completion of prod testing of DCE aligned to Application capability. This prepares us to ready the infrastructure for building highly resilient OBP platform.
• Delivery accelerated for new interface to receive declarations, send instructions and create reports for Non-BM Quick reserve to facilitate end to end testing.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£39.8m</td><td>BP2 submission with BP1 under/ overspend</td><td>£47.2m</td><td>Approved Spend</td><td>£50.4m</td></tr>
<tr><td colspan="5">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£102.8m</td><td>Approved Spend</td><td colspan="2">£103.5m</td></tr>
</table>

<table>
<tr><th colspan="7">210 Balancing Asset Health</th></tr>
<tr><td>Delivery and spend update</td><td colspan="6">Over the past two quarters, significant progress has been made.

In Q4 FY25, the Network Control Management System (NCMS) program, in collaboration with GE, finalized and released critical go-live features for Reliance, including Enterprise Switching, Look Ahead Forecast, constraint analysis, and sensitivity analysis. Additionally, Active Directory rebuilds of non-production environments across both NESO data centres were completed, following the decision to pivot from Virtual Desktop Infrastructure (VDI) deployment. Looking ahead, Reliance 2025.1.F and GridOS product versions will be deployed to the NESO Non-Production Test environment, incorporating baseline security requirements, NESO security scanning, and deployment pipeline refinements.

In Q3 FY25, the team delivered on several key initiatives. The EBS project was successfully decommissioned, with hardware repurposed or destroyed as appropriate. The BM Interim Release 6 included enhancements such as enabling the Open Balancing Platform (OBP) to send Bid Offer Acceptances (BOAs) to all BM zones and ancillary service instructions.

Priority control room improvements were also made, including changes to the Legacy Dispatch Algorithm for better battery dispatch and improvements to VERGIL logic to reduce manual effort. Performance improvements were implemented to enhance the speed of re-loading previously saved System Operating Plans (SOPs).</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£10.1m</td><td>BP2 submission with BP1 under/ overspend</td><td>£11.4m</td><td>Approved Spend</td><td>£9.9m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£27.5m</td><td>Approved Spend</td><td colspan="2">£27.5m</td></tr>
</table>

<table>
<tr><th colspan="7">480 Ancillary Services Dispatch</th></tr>
<tr><td>Delivery and spend update</td><td colspan="6">Over the past two quarters, significant progress has been made.

In Q3 FY25, several key commitments were delivered, including the implementation of Dynamic Response features under the Ancillary Services Reform. This allowed ENCC users to send Arm/Disarm instructions 24/7 and improved the visualisation of Physical Notification data to support response decisions.

Additionally, MW Dispatch Enhancements introduced new functionality to improve service efficiency, including a Business Continuity Process.

NESO rebranding efforts involved updating the ASDP UI to remove ESO rebranding, updating UKPN URLs, and changing system email addresses to support NESO day 1 go-live.

In Q4 FY25, no functional releases were made, and activities focused on Business As Usual (BAU).</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£2.4m</td><td>BP2 submission with BP1 under/ overspend</td><td>£4.3m</td><td>Approved Spend</td><td>£3.3m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£8.5m</td><td>Approved Spend</td><td colspan="2">£8.5m</td></tr>
</table>

670 Real Time Predictions	
Delivery and spend update	Within the Real Time Predictions investment, we have delivered a minimum viable prediction capability to prove end to end functional readiness. This release will help users to start validating outputs of the new real-time demand predictor. We have also released the minimum viable real-time capability to the control room. Control room users will be able to provide forecast input and view the predicted output generated by two different prediction models for 24 hours ahead.

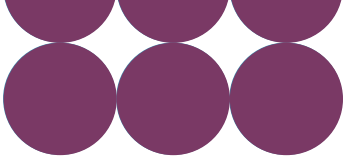
<table>
<tr><td></td><td colspan="6">Achievements in the last six months:
Real-time Prediction (RTP) foundation set up completed. 3 microservices for RTP are up and running on Open Shift Azure Dev environment. Plan to promote to higher environments by Q4 FY25.
Historical outturn data migration process is set up. Data migrated in dev and quality assurance (QA) environment. Production migration planned along with Minimum Viable Product (MVP) release in March 2025.
Successfully completed proof of concept of prediction algorithm development. Development of algorithm for MVP release is in progress.
Feature elaboration and user story definitions completed for MVP deliver.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£0m</td><td>BP2 submission with BP1 under/ overspend</td><td>£0m</td><td>Approved Spend</td><td>£3.2m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£0m</td><td>Approved Spend</td><td colspan="2">£5.8m</td></tr>
</table>

<table>
<tr><td colspan="2">260 Forecasting Enhancements</td></tr>
<tr><td>Delivery and spend update</td><td>Forecasting enhancement has made considerable progress since BP2 submission. We have delivered an enduring cloud platform for hosting Platform for Energy forecasting Wind forecasting capability.

We have successfully delivered five out of six interim releases and are on target to complete delivery of wind forecast solution in Azure and enable Open Balancing Platform integration.

While the wind forecasts are already proving more accurate than their legacy counter parts in EFS, we are on target to further enhance the wind forecast models and overwrite EFS data and deliver retirement strategy for Legacy forecasting system (EFS) within BP3 as planned.

We have also, mobilised the Oracle Cloud Infrastructure migration from current interim platform onto enduring Azure cloud platform for Solar,</td></tr>
</table>



<table>
<tr><td></td><td colspan="6">national Demand and Grid Supply point models and are on target to complete the migration and retire the interim solution within BP2.

In delivering the above we have remained within the budget sanctioned at BP2. and are on target for spend against our BP2 targets.

Achievements over the last 6 months:

• Strategic cloud platform delivered in azure for hosting forecasting models.
• Developed MLOPs platform and Machine learning models for Wind forecasting.
• Developed all technical pre-requisite releases enabling data ingestion and processing of key upstream data and enable Wind forecast model creation.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£6.1m</td><td>BP2 submission with BP1 under/ overspend</td><td>£6.8m</td><td>Approved Spend</td><td>£6.0m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td></td><td>BP2 Submission</td><td colspan="2">£13.4m</td><td>Approved Spend</td><td>£13.4m</td></tr>
</table>

220 Data and Analytics Platform	
Delivery and spend update	The Data and Analytics Platform team has made significant progress since the BP2 submission. In line with our BP2 commitments, we have delivered an Enterprise Data Analytics Platform with an integrated Advanced Analytics Environment (Data Science Platform) enabling data science and AI Modelling. The team has also supported other strategic data and analytical requirements across NESO. The Platform has delivered capabilities to allow faster data pipeline engineering and data ingestion processes to support the onboarding of priority datasets. This has so far enabled around 200 datasets to be ingested into the DAP Lakehouse sourced from key strategic applications such as PEF, OBP, ASDP, OLTA, EFS, ASB, NED, PAP. These power key data science models such as Dynamic Reserve Setting, National Demand Forecast, the ASR Buy Order data product; the ASR Monitoring data product, Reporting and Penalties product, Demand Discrepancy, and Electricity Network Development Tools (ENDT). The team has also deployed Purview 365 onto the NESO Azure tenancy which will enable

<table>
<tr><td></td><td colspan="6">NESO to catalogue its datasets and centralise its metadata to empower the organisation to better understand their data assets.

Building on our agile ways of working practices we have evolved to deliver our platform updates rapidly and consistently. We have successfully delivered 38 releases to production.

NG Azure to NESO Azure Tenancy migration plan accelerated for Q1FY26 completion.

Key Benefits:

• ASR Monitoring, Reporting, and Penalties data product is already proving beneficial to its users by helping them to quickly process and analyse complex datasets to understand the behaviour of suppliers and identify levels of conformance providing penalty reports so they can act on any non-conformance behaviour of our suppliers.
• Demand Discrepancy Report enables the continuous improvement of the forecasting systems and the methodologies in use, which in turn will yield optimised balancing costs and reduce ‘Fail to Fly’ outages. This solution enables data capture to inform future root-cause investigations into system performance and/or events using data that would otherwise be lost.
• Dynamic Reserve Setting model will support the determination of a better reserve requirement for NESO. Over procurement of reserve power increases costs to consumers as excess reserve is wasted cost. This product allows the reserve to be set more frequently and will significantly reduce the cost of balancing.
• Critical data has been made available to the Skip Rates requirement with a view to enhancing insights within the Control Room.

In delivering the above we have remained within the forecast for BP2 and we are on target for total spend against our BP2 funds.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£15.1m</td><td>BP2 submission with BP1 under/ overspend</td><td>£15.8m</td><td>Approved Spend</td><td>£15.3m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£29.9m</td><td>Approved Spend</td><td colspan="2">£30.3m</td></tr>
</table>

<table>
<tr><th colspan="7">510 Restoration & Restoration Decision Support Tool</th></tr>
<tr><td>Delivery and spend update</td><td colspan="6">ICCP delivery is progressing with new telephony provider Magdalene. RDST have completed several achievements including the establishment of a GE/NESO GridOS restoration application working group.

Restoration scope review conducted against BP2 investment 460 (merged with this investment) and determined that Optel and Telephony network upgrades are no longer in scope for this investment due to NESO separation and Optel network subject to wider conversations. This will be reflected within BP3 submission.

Achievements over the last 6 months:

• In Q4 FY25, the team focused on delivering ICCP links in collaboration with Magdalene, reviewing GE GridOS Restoration roadmap, and establishing a working group to align on architecture and platform for restoration applications.
• Additionally, we prepared a revised RDST proposal based on the GridOS platform and engaged legal and procurement teams to create a GE GridOS Framework agreement. Other initiatives included mobilising DigSilent Proof of Concept works, continuing survey tool design, and kicking off ESEC/DCRP works.
• In Q3 FY25, we reshaped the Restoration programme, agreed on new ICCP delivery dates, and rejected GE's RDST proposal based on legacy RTSRM product due to misalignment with user requirements and architecture.
• The team decided to progress with GE leveraging the GridOS platform, creating a dependency on NCMS delivery planned for Q3 FY26.
• Additionally, NESO finalised the contract for DigSilent to simulate National Power Outage scenarios and initiated works for RIIGSE to ensure accurate information sharing during emergencies.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£17.5m</td><td>BP2 submission with BP1 under/ overspend</td><td>£17.9m</td><td>Approved Spend</td><td>£14.7m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£24.9m</td><td>Approved Spend</td><td colspan="2">£21.8m</td></tr>
</table>

<table>
<tr><th colspan="6">130 Emerging Technology and System Management</th></tr>
<tr><td>Delivery and spend update</td><td colspan="5">Achievements over the last 6 months:

• Inertia data feeds migrated to DAP 2.0 system but not able to make available to SSI users due to lack of role-based access controls on DAP. Dashboard migration on-hold pending resolution.
• Further development of system interfaces on hold pending validation of Inertia Data.
• Environment issues resolved to enable Forecast Parameterisation enhancement.
• Implementation of Scottish Inertia region enhancement pending Forecast Parameterisation implementation.
• Migration of Inertia Grid Analytics to NESO Azure tenancy postponed by delays within the Transition project.
• New Product Manager on-boarded to engage stakeholders regarding NGET PMU rollout plan.
• Forecast Parameterisation enhancements, to the GE Inertia Grid Analytics application, have been promoted to NESO test environment in preparation for testing.
• NESO Azure environment has been commissioned as part of the NGET migration plan. We are now in the process of establishing the Azure landing zone in preparation for the migration of Inertia Grid Analytics.
• Reactive Inertia GridMetrix commercials are in final stages to provision a 'push-api' to Data Analytics Platform in place of the current 'pull ' method. This will enable DAP to receive data in a timelier manner as well as supporting other NESO application integrations, where necessary.
• GridMetrix single sign-on migration is ready, now pending Control Room users' migration to neso.energy domain prior to reconfiguring GridMetrix.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£3.9m</td><td>BP2 submission with BP1 under/ overspend</td><td>£4.2m</td><td>Approved Spend</td><td>£2.5m</td></tr>
<tr><td colspan="5">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£8.7m</td><td>Approved Spend</td><td colspan="2">£6.9m</td></tr>
</table>

<table>
<tr><th colspan="2">250 Digital Engagement Platform</th></tr>
<tr><td>Delivery and spend update</td><td>DEP project has successfully achieved all deliverables committed for BP2 within timescales and sanction values.

Achievements over the last 6 months:

• For DXP & CIAM, successful delivery of NESO Day 1 rebranding (new colour scheme, look and feel and enhanced content). Successful integration with associated downstream applications (i.e. EAC, PODE, Connections, SMP, eNAMS, eGAMA). Successful migration to new Domain and url (neso.energy).
• Successful deployment of Help Centre for Day 1 – New customer centric capability to assist end users with finding focussed and relevant information. Foundational capability ahead of Query Management deployment.
• Delivered production ready new Query Management capability for trial purposes to demonstrate improved tracking of responses to queries and enhance customer experience.
• CIAM - EMR integration to ensure single sign on with multi-factor authentication for all salesforce platform applications including PODE.
• DEP/DAP POC successfully delivered to prove API connection between platforms ahead of removal of CKAN in BP3.
• DEP (DXP) to Digital Code Management (DCM) integration to improve Customer access to Grid Code data and enhance Customer Journey.
• Delivered CP30 tactical (GIS) maps solution, allowing visualisation and the ability to interact with the map data to reveal the electricity transmission network This aims to empower key stakeholders within the industry and the general public, and involved cross-collaboration with SNP, Offshore Coordination Network Planning, and the Geospatial Data Team. Deployment of enhanced security capability including PingIdentity & PingPremium for defacement/threat monitoring and alerting to prevent malicious attacks on NESO.energy e.g unsolicited images being presented on homepage.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£3.9m</td><td>BP2 submission with BP1 under/ overspend</td><td>£4.9m</td><td>Approved Spend</td><td>£7.1m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
</table>

	BP2 Submission	£11.4m	**Approved Spend**	£12.0m

190 Workforce Change Management Tools						
Delivery and spend update	The programme has successfully closed out its FY25 delivery, having achieved all the key outcomes, including the integration of training scheduling and tracking into the ROTA system, along with delivering various enhancements to improve previous operational deployments and enhance the training release. Additionally, the programme has been gathering requirements and developing a new strategy to replace the existing control room knowledge tool and regular control room updates collectively known as CRAIG (Control Room Advice and Information Guide). The proposed strategy, which will be presented to the business in Q1 2026, involves leveraging the latest workflow and AI tools to develop a knowledge and situational awareness tool suitable for an increasingly complex control room environment. The programme is now preparing to mobilise a workstream for the replacement of CRAIG, contingent upon business approval of the proposed solution. Furthermore, the programme plans to establish a further tranche of improvements for the ROTA system, potentially including the capture of the onboarding process within the tool.					
Spend	**FY24 & FY25 Period**					
	BP2 Submission	£2.0m	**BP2 submission with BP1 under/ overspend**	£2.0m	**Approved Spend**	£0.4m
	FY22 to FY26 Period					
	BP2 Submission	£3.8m		**Approved Spend**	£1.0m	

200 Future Training Simulator and Tools	
Delivery and spend update	As part of BP3 planning we have taken the decision that Future Training Simulator will focus on two strands of activity

<table>
<tr><td></td><td>1) Continued engagement with NCMS and OBP to arrive at a high-level integration design and:

2) Market analysis of Training tools, both with peer organisations and vendors, a project delivery plan has been created, and integration workshops continue. Extended stakeholder engagement workshop is scheduled to allow input into the FTS roadmap

Achievements over the last 6 months:

• Workshops with NCMS and OBP stakeholders to explore integration.
• Extended Stakeholder engagements to provide further inputs to FTS roadmap, strategic project approach.
• Ongoing engagement with SME Control room end users (Transmission, Energy & Strategy) to understand their training and Simulator experience using workshops, questionnaires and interviews.
• Detailed High-level requirements identified for training tools (metrics) to be delivered under this investment. These tools seek to enhance both authorisation and enduring training capabilities for all stakeholders involved in the training process of control room personnel</td></tr>
<tr><td>Spend</td><td>
<table>
<tr><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£4.4m</td><td>BP2 submission with BP1 under/ overspend</td><td>£4.4m</td><td>Approved Spend</td><td>£0m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£7.3m</td><td>Approved Spend</td><td colspan="2">£0m</td></tr>
</table>
</td></tr>
</table>

240 ENCC Asset Health	
Delivery and spend update	By March 2025 in BP2 we will have completed over 115 small projects under the ENCC Asset Health investment line. These projects delivered the following: • Over 40 Market participant onboarding activities. • Over 25 cases of remedial actions to address issues with business supported applications and bespoke systems.

<table>
<tr><td></td><td colspan="6">

Over 25 activities focusing on upgrading underpinning components of applications to ensure ongoing support.
Over 25 operational improvements through the deployment of small apps or hardware / software refreshes.
Delivering a solution to allow for the retirement fax machine usage in the control room.

We are continuing to develop, evolve and prioritise a list of asset health needs which we will continue to mobilise on a quarterly basis. We will also be replacing, upgrading, or taking maintenance actions for systems as required.
We will plan and prepare tools to meet external demands, such as increased numbers of market participants or new performance reporting requirements. Ongoing general software and hardware patching maintenance will be delivered reducing security and technical debt risk.
Achievements over the last 6 months:

Maintain and/or decommission specific tools that support ENCC activities.
Ensure system solutions maintain resilience in our business processes.
Implement solutions to mitigate risks associated with legacy and new unsupported user written tools.
Create smaller solutions and address minor enhancements via Rapid Development Team.
Mobilised a team to develop a replacement solution to allow for the removal of Fax machines from the control room in line with Faxes no longer being supported technology.

</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£5.8m</td><td>BP2 submission with BP1 under/ overspend</td><td>£6.7m</td><td>Approved Spend</td><td>£6.4m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£14.2m</td><td>Approved Spend</td><td colspan="2">£12.5m</td></tr>
</table>

<table>
<tr><th colspan="6">450 Future Innovation Productionisation</th></tr>
<tr><td>Delivery and spend update</td><td colspan="5">This investment is now starting to be utilised with DSI (Data Sharing Infrastructure) in flight and REVEAL sanctioned to go into productionisation in the next quarter.

DSI builds on Ofgem's mission to drive greater availability of data within the energy sector.

As we move toward net zero and away from traditional technology, we need to be able to test and launch new market services more quickly. REVEAL will help test scenarios to enable this.

Achievements over the last 6 months:
• DSI - As part of productionising the DSI pilot (funded via NIA), three key workstreams progressed in Q4:
1. Advanced the Target Operating Model development for the interim DSI coordinator role, expected to be announced on April 1st.
2. Continued assessment of current industry codes to determine their fitness for data sharing.
3. Developed the government Green Book business case to outline the DSI delivery approach for the next seven years.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£4.0m</td><td>BP2 submission with BP1 under/ overspend</td><td>£4.0m</td><td>Approved Spend</td><td>£0.7m</td></tr>
<tr><td colspan="5">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£6.6m</td><td>Approved Spend</td><td colspan="2">£0.7m</td></tr>
</table>

<table>
<tr><th colspan="2">140 ENCC Operator Console</th></tr>
<tr><td>Delivery and spend update</td><td>We had some delays in issuing the RFP due to re-evaluating our approach to the procurement event. We have made the decision to leverage the Crown Consulting Services (CCS) Framework for the procurement event as this mitigates the dependency on NESO Legal to create Terms and Conditions for contract. RFP documents have been finalised, we have issued and received Expression of Interest from participants and are proceeding with the next stage of the process.</td></tr>
</table>

<table>
<tr><td></td><td colspan="6">Achievements over the last 6 months:
Validated 'straw-man' configuration and engaged Energy team to extend thinking to all control-room roles.
Delayed progress on RFP preparation following re-evaluation of PQQ short-listed vendors and alignment to overall Operator Console requirements. Conclusion is to progress with RFP.
Drafted additional RFP content to share NESO market analysis of Desktop Environment Management (DEM) software vendors. RFP instructions to include vendor assessment of DEM capabilities and provide evidence/rationale for selected provider or alternative within RFP response.
RFP materials being updated to align with current standards and templates with a view to launching in Q4.
Performed 'show and tell' engagements with the control room shift teams to provide an overview of the user experience of the Operator Console.
Ran a Design Thinking session with a control room Energy representative to model potential user layouts for the Energy role.
Held a session with a Display Screen Equipment (DSE) representative to assess the concept desk in the Network Control Programme office, to gather initial feedback and input into the physical setup.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£2.8m</td><td>BP2 submission with BP1 under/ overspend</td><td>£3.1m</td><td>Approved Spend</td><td>£2.9m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£5.5m</td><td>Approved Spend</td><td colspan="2">£5.4m</td></tr>
</table>

Role 2 (Market development and transactions)

Executive summary	Key achievements across the Role 2 investments include: • **330 DCM -**Successful delivery of R3.0 on 1st October which included a new NESO rebranded site and a new GenAI capability followed by successful delivery of R4.0 which automated and digitised capability for end users to raise a request for an amendment to the Grid Code which was previously a manual email workflow. • **320 EMR** - Successfully Completed Release 2.3 - NESO Rebranding go-live for new EMR CM and legacy EMR CfD Portal and release 2.5, Customer Identity and Access Management (CIAM) integration completed and Capacity Market Unit (CMU) and Application rule validation was completed. • **610 Star –** Successfully implemented BSUoS daily billing, achieved technical go-live for Reactive. Balancing Reserve Tech go live was also successfully delivered, plus they successfully migrated 7 years of reactive historic payment data.

The table below shows the current Role 2 position. It shows our BP2 submission figures for FY24 and FY25, and the same years are shown for the approved values through our whole life sanctioning process in "Approved BP2 Spend".

Latest DD&T role spend	**£m**	**FY24**	**FY25**	**Total**
	BP2 Submission	27.6	28.8	56.4
	Approved BP2 Spend	35.4	28.8	64.2
Rationale	During the BP2 period Role 2 has underspend against the latest approved figures and this can be attributed to underspend across BP2 Investments which was redirected to fund priority initiatives like reducing technical debt, CRM fixes, and improving data management during FY25. DD&T assessed these activities based on priority, risk mitigation, and benefits to ensure continued value. The benefits are organisation-wide, not just for DD&T.			

Investment summary

<table>
<tr><th colspan="6">320 EMR and CfD improvements</th></tr>
<tr><td>Delivery and spend update</td><td colspan="5">Electricity Market Reform (EMR) has continued to deploy features in line with our BP2 roadmap. A number of releases have delivered features including performance test functions, integration of CIAM into EMR allowing more seamless user logon between NESO platforms and Capacity Market Unit (CMU) and Application rule validation capability.

The programme is on track to meet committed spend for FY25.

Achievements over the last 6 months:
Completed 'Release 2.3(Q3 FY25) - Quarterly Release Train, NESO Rebranding go-live for new EMR CM and legacy EMR CfD Portal on 07 Oct 2024.
Completed 'Release 2.4(Q3 FY25) - Quarterly Release Train, comprises of key product improvements associated with portfolio management and regulatory change related to extended performance test functions.
Completed Release 2.5 (Q4 FY25) Quarterly Release Train: comprises of key product improvements associated with DEP/CIAM integration and CMU and Application validation functions
DEP/CIAM Integrated the strategic Single-Sign-On solution for external customers to access the EMR portal from the Digital Engagement platform thereby enabling external customers to access all their accounts through Single-Sign-On.
Capacity Market Unit (CMU) and Application rule validation - Capability for system to validate rules related to CMU Components and Applications which will help users identify and fix errors in their applications and therefore minimise rejections
CfD (Contract for Difference) replacement option analysis completed and confirmed solution is migration of platform to Azure and enhancements to be meet customer demand in AR7-AR9.</td></tr>
<tr><td rowspan="2">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£7.4m</td><td>BP2 submission with BP1 under/ overspend</td><td>£6.4m</td><td>Approved Spend</td><td>£14.4m</td></tr>
</table>

	FY22 to FY26 Period			
	BP2 Submission	£21.3m	**Approved Spend**	£30.5m

400 Single Markets Platform	
Delivery and spend update	The SMP investment has successfully achieved the deliverables committed to within the last 6 months. Overall, the investment delivered 7 releases with features over Q3/Q4 FY 25 **<u>Single Markets Platform</u>** The programme has an underspend from previous business plan periods (BP1 and BP2 combined) and seeks to carry forward this underspend to BP3 to aid delivery of BP3 commitments. **Achievements over the last 6 months:** **<u>SMP</u>** • Delivered ability to register a Balancing Mechanism Unit on the SMP portal , update any already registered units on the SMP portal and send data to BM downstream systems along with migration of existing BM units to SMP. • Ability to register new Interconnector users on SMP portal along with migration of existing data to SMP. • Brought in reporting tools for conflicting assets in auctions • Onboarding for Quick Reserve (NBM) and Slow Reserve • Delivered UX changes to Align to NESO Branding. • Functionality of a Dynamic reporting filter to enable better decisions for the Unit Manager on which Units and Assets are qualified for Service. • Settlements system integration to allow interface into invoice storage location through the SMP portal via "My Invoices" button. **<u>SMP Enhancement of existing features</u>** • Enhancements to the RDP MW Dispatch service and additional reporting on assets / units. • Introduction of automation for an extension and a termination of a Related Entity Agreement. • Delivered UX changes and applications of design system to all screens on the SMP application to ensure external portals and branding are consistent across NESO platforms.

ASR

- **Frequency Response**
  - The Max Bid Size feature mitigates the risk of a potential loss of over 100MW of response, which could negatively impact frequency response capability. A validation check has been implemented on EAC to ensure that no bid exceeding 100MW is accepted, thereby protecting the system against severe frequency events.
  - The automation of the DAP to STAR interface enhances efficiency by reducing manual intervention and minimising the risk of errors, while also ensuring compliance with organisational security and architecture standards.
  - Ramp Rate Non-Penalty check has been implemented to comply with the Dynamic Response service terms and improve SSAT scores. The penalty for ramp rate non-compliance has been removed.
  - 24/7 Data Availability helps the Control Room by providing long-range visibility of the Non-BM unit's PN. This improves visualisation and situational awareness, leading to more efficient dispatch and reducing over-procurement, ultimately ensuring reliable response services.
  - Buy Order Automation: The Buy Order feature provides an automated solution for the BSO team to streamline the creation of Buy Orders, reducing manual intervention and preparing for potential volume growth during Intraday. The project focuses on scheduling data loading and validation tasks, designing a configurable analysis tool for Buy Order creation, and generating reports to assist in analysing and refining the process.
  - State of Energy Penalty (SOE) check: The State of Energy (SOE) feature has been developed to ensure that energy providers comply with specific rules and face penalties if they do not. SOE check ensures Providers must maintain adequate energy levels at the start of each EFA Block, periodically review their stored energy levels at the beginning of each settlement period and manage their energy by charging or discharging as necessary to restore appropriate levels according to operational baselines.

- **Reserve**
  - Quick Reserve BM went Live in Q3 FY25 providing greater efficiencies, supporting system balancing and generating an estimated potential saving of £29-£32 million per annum.
  - Consultation for Quick Reserve NBM is in progress. Technical delivery is scheduled for June. The business go-live for

<table>
<tr><td></td><td colspan="6">Quick Reserve NBM is planned for June, subject to Ofgem's approval of the consultation.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£14.5m</td><td>BP2 submission with BP1 under/ overspend</td><td>£15.9m</td><td>Approved Spend</td><td>£15.8m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£34.9m</td><td>Approved Spend</td><td colspan="2">£35.7
(inc £2.2 for Balancing Reserve)</td></tr>
</table>

<table>
<tr><th colspan="2">420 Auction Capability</th></tr>
<tr><td>Delivery and spend update</td><td>
The Auction Capability investment has successfully completed several key initiatives.

The automation of "Buy Orders" for Frequency Response was implemented, enhancing future developments in frequency response services and improving data quality for critical decision-making and intraday market implementations. The Data Portal transitioned from a legacy system to the Digital Analytics Platform (DAP) for publishing auction results, and extended Buy & Sell Orders are now stored on DAP for internal reference.

Additionally, linked service windows for Quick Reserve services were established as part of the QR NBM changes, and the scope and design phase for preventing over-bidding and unit suspense for response services was completed. These efforts collectively aim to improve efficiency, data management, and service reliability.

Achievements over the last 6 months:
• Go Live of NESO-branding on EAC platform.
• Quick Reserve BM Business Go Live successfully achieved.
• Completed Scope & Design Phase for Auction Platform integration with Digital Analytics Platform (DAP) to cover:
  ◦ Automation of Buy Orders benefits future developments to frequency response services and improving Data quantity and quality to take critical decision and aid in future intraday market implementations.
  ◦ Transition of Auction Results Publication on Data Portal to Digital Analytics Platform (DAP).
</td></tr>
</table>

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<tr><td></td><td colspan="6">

Storing Extended Buy & Sell Orders on Digital Analytics Platform (DAP) for Internal Users' Reference.

Complete Discovery Phase for Strategic Auction Initiatives. Issue RFP for tactical Capacity Market auction capability.
Data Portal - Migration from legacy to Digital Analytics Platform" for publishing Auction Results developed and ready to test.

</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£4.2 m</td><td>BP2 submission with BP1 under/ overspend</td><td>£5.1m</td><td>Approved Spend</td><td>£4.1m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£8.9m</td><td>Approved Spend</td><td colspan="2">£8.1m</td></tr>
</table>

<table>
<tr><th colspan="2">610 Settlements, Charging and Billing</th></tr>
<tr><td>Delivery and spend update</td><td>
Revenue:

BSUoS daily billing is fully operational, and CAB has been decommissioned after successful migration of all Revenue services.
Below Reconciliation services are successfully delivered by March end as per BP2 commitments in Q4 FY25.

TNUoS Generation Reconciliation
TNUoS Final Demand Reconciliation

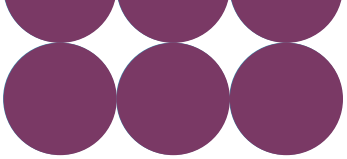
Settlement:

Technical go-lives have been successfully completed for Reactive and Balancing Reserve ready for parallel running in ASB/RTD Tool and STAR.
Business go-live for MFR business has been delayed, all issues are resolved, and business validation is in progress, aiming to go live in April. The delay was due to the number of issues and CRs raised during the ASB/STAR parallel run and the performance of the MFR calculations.
Balancing Reserve Tech go live successfully delivered end of February that included first integration solution using Azure Logic Apps.
Quick Reserve development and testing is in progress and targeted delivery for the industry committed go-live in June.

</td></tr>
</table>

<table>
<tr><td></td><td colspan="6">Achievements over the last 6 months:
Within Revenue, The migration of Reconciliation services to STAR has delivered significant benefits and business value. This transition has saved considerable business manual efforts and time consumption replacing approx. 20 offline workbooks, BSOC (S4 Hanna Template for generating invoices), and EUDA (used for sending invoices via email). Additionally, STAR has streamlined the management of approvals, escalations, and exceptions. These tasks were previously handled manually by the business, and the transition to STAR has made them more seamless and efficient.
Within Settlements, STAR has implemented NESO's first Azure integration solution-IVC (Incremental Volume Check) and Service Provisioning Automation as part of Balancing Reserve service. These Azure Integration implementations has laid a strong foundation for future Settlement releases and the transformation from MuleSoft to Azure. This integration aligns with the organization's Platform Architecture strategy, making STAR one of the early adopters of this change. This implementation has resulted in a more cost-effective solution due to its consumption-based pricing model, lower licensing, and maintenance costs, allowing for better cost control and budgeting. Overall, the migration to Azure integration services has enhanced efficiency and provided a scalable and high-performing solution for future needs.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£9.8m</td><td>BP2 submission with BP1 under/ overspend</td><td>£9.7m</td><td>Approved Spend</td><td>£19.3m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£33.5m</td><td>Approved Spend</td><td colspan="2">£43.2m</td></tr>
</table>

680 Local Constraints Market	
Delivery and spend update	The Local Constraints Market (LCM) investment completed CIAM integration fin Q3. Data Portal Integration has been descoped as the functionality is already being delivered through the third party.



	The project started closing down in Q4 having successfully achieved its aim.					
Spend	**FY24 & FY25 Period**					
	BP2 Submission	£0m	**BP2 submission with BP1 under/ overspend**	£0m	**Approved Spend**	£0.4m
	FY22 to FY26 Period					
	BP2 Submission	£0m		**Approved Spend**	£0.4m	

330 Digitalised Code Management						
Delivery and spend update	DCM continued to deliver in line with roadmap over last 6 months. The focus over Q3/Q4 FY25 was development and delivery of Release 4 of DCM. This release provided features including improvements to user interface, an email notification functionality and the digitisation of the proposal form. This provides the first step in digitisation of the end-to-end code modification process which has been manual up to this point. This will create efficiencies by reducing the time taken from End User Request to Modification of the code, whilst also speeding up the decision-making process and providing a governance layer to adhere to SLA timescales for End User requests. A re sanction is required to deliver the full DCM modification workflow which will be progressed for approval in Q1 FY26. Overall DCM is has met spending commitments for FY25 budget **Achievements over the last 6 months:** • DCM Release 4 completed which automated and digitised capability for end users to raise a request for an amendment to the Grid Code which was previously a manual email workflow. This also included user administration of modification requests and capability to hold all modifications as a single source of truth.					
Spend	**FY24 & FY25 Period**					
	BP2 Submission	£2.5 m	**BP2 submission with BP1 under/ overspend**	£2.6m	**Approved Spend**	£2.7m
	FY22 to FY26 Period					

	BP2 Submission	£2.7m	**Approved Spend**	£2.8m

280 GB regulation	
Delivery and spend update	This investment continued the support of the Market Half Hourly Settlement (MHHS) Programme - a key enabler of the flexibility to support the transition to Net Zero - by attending MHHS Programme meetings, responding to Programme consultations and change requests, refining impact assessments and liaising with Ofgem, Elexon and Helix to update implementation plans. All NESOs technical tests and changes have been completed ahead of schedule. We also continued to provide timely support to industry workgroups, Ofgem and the government by completing quality analysis in required timescales. The investment continued to underspend against the Q3 and Q4 approved spend, primarily because of an extended consultation on GC0117, the reforecasting of MHHS and a reduction in the volume of CUSC requests in Q3. *N.B. Regulatory Investments 270 and 280 will merge in Q1 FY26* **Achievements over the last 6 months:** • Supported the MHHS Programme; refined impact assessments and liaised with MHHS Programme Team, Elexon and Helix to refine NESO's implementation plans. • SAAIO14 v13 Go-Live - Version upgrade (to v13) of the SAAIO14 settlement file to ensure NESO systems are compliant and ready for the start of MHHS migration. • REMA: Completed impact assessment on Zonal Pricing - Capacity Calculation and Allocation with the NESO REMA team, to inform Department for Energy Security and Net Zero (DESNZ) decisions on REMA market designs and implementation. Also supporting the NESO Implementation Strategy team with information requests on the current system landscape and supporting the future mobilisation of the DD&T REMA programme. • GC0156 (forecasting only): Discovery completed and impact assessment in progress, to confirm delivery approach for this mod. • GC0117 Improving transparency and consistency of access arrangements across GB by the creation of a pan-GB commonality of Power Station requirements: Supported NESO response to Ofgem consultation.

<table>
<tr><td></td><td colspan="6">CMP411 Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies: Impact assessment completed, moving to delivery platform backlog.
CMP417: continued discovery work and placed On Hold due to industry CUSC mod prioritisation decisions.
CMP440: initial discovery completed with STAR impacted. STAR programme progressing next stage of analysis.
CMP442: initial discovery completed with STAR impacted. Subsequently mod placed On Hold due to industry CUSC mod prioritisation decisions.
CMP444, CMP445, CMP446: initial discovery ongoing, to inform code mod work group positions.
Adding Battery Energy Storage System (BESS) as a fuel-type to reporting following P463: impact assessment completed and planning in progress for implementation.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£8.7m</td><td>BP2 submission with BP1 under/ overspend</td><td>£10.0m</td><td>Approved Spend</td><td>£3.6m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td></td><td>BP2 Submission</td><td colspan="2">£19.4m</td><td>Approved Spend</td><td>£10.5</td></tr>
<tr><td colspan="7">270 Role in Europe</td></tr>
<tr><td>Delivery and spend update</td><td colspan="6">This investment has continued with the design, planning and implementation of the Physical Communication Network (PCN) and Regional Security Coordinator (RSC) Services Projects. We have also followed up on an impact assessment on Clean Energy Package (CEP) 6.9 Mandatory Frequency Response (MFR) to support decision making by Ofgem.

The investment continued to underspend against the Q3 and Q4 approved spend, primarily because of a derogation to CEP 6.9 MFR and ongoing refinement of plans and forecasts for the PCN and RSC Projects.

N.B. Regulatory Investments 270 and 280 will merge in Q1 FY26

Achievements over the last 6 months:
Regional Security Coordination (RSC): DACC enabling update - Enabler for future UK capacity calculation. Improves Operational Planning Data Environment (OPDE) security and user experience, and Individual Grid Model (IGM) quality.</td></tr>
</table>

<table>
<tr><td></td><td colspan="6">STA Enhancements Releases 2 and 3 - The addition of an extra data attribute to the Short-Term Adequacy (STA) data exchange, to improve the accuracy of the STA calculations and therefore the usability and reliability of those results within NESO and the rest of Europe for week-ahead power adequacy. Separation of some of the calculations to improve reliability, address a security vulnerability and to apply NESO branding.
BLAN Phase 1 - regaining access to two ENTSO-E portals via PCN
Clean Energy Package (CEP) 6.5 - P412 Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy: previous impact assessment updated with revised costs, and estimates provided to Ofgem to inform industry decision.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£9.4m</td><td>BP2 submission with BP1 under/ overspend</td><td>£12.1m</td><td>Approved Spend</td><td>£3.8m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£22.3m</td><td>Approved Spend</td><td colspan="2">£10.7m</td></tr>
</table>

Role 3 (System insight, planning and network development)

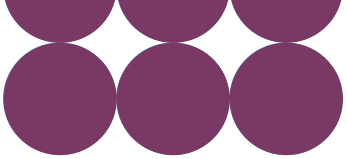
Executive summary	Key achievements across the Role 3 investments include: • 340 RDP To-date 10 DER sites (64MW) have already connected on the strength of the MW Dispatch solution, with a further 48 DER sites (around 1.1GW) scheduled to connect before the end of 2025; maintaining security of supply by giving the control room the option to curtail these DER's once connected. • 350 Planning and outage data exchange investment delivered Electricity System Restoration Standard (ESRS) – Distribution Restoration Zone Plan (DRZP) which has enabled a unified outage reporting to improve collaboration, situational awareness, and efficiency in restoration efforts. • 380 Connections Platform released Securities Payments Data Automation - Increased visibility of securities payments from the Salesforce enabling the team to generate statements. • Within 390 Electricity Network Development Tools' (ENDT) The proof of concept (POC) for moving PLEXOS Connect into PLEXOS Cloud has been completed, and testing is currently in progress. • 500 Enhanced Frequency control has completed and is now in project closure.

The table below shows the current Role 3 position. It shows our BP2 submission figures for FY24 and FY25, and the same years are shown for the approved values through our whole life sanctioning process in "Approved BP2 Spend".

Latest DD&T role spend	**£m**	**FY24**	**FY25**	**Total**
	BP2 Submission	12.2	11.6	23.8
	Approved BP2 Spend	13.2	13.7	26.9
Rationale	Currently Role 3 is slightly overspending according to its plan currently but is overall aligned across the BP2 period			

Investment summary

340 RDP Implementation and Extension	
Delivery and spend update	We decided to change RDP 3 & 4 scope from Storage capability to purely focus on MegaWatt Dispatch Enhancements, aligned to the ENA Open Networks Programme and Strategic Connections Group to deliver a consistent enterprise wide DNO solution with wider benefits than simply delivering Storage solutions for only 2 DNO's. The Storage capability will now be RDP 5 - GSP (Grid Supply Point) Technical Limits solution which is now underway to deliver across all x6 DNOs. There is an underspend in FY25 in line with RDP GEMS project closure decision, with a portion of the underspend re-forecast against RDP 5 and 6 initiatives, with any remaining underspend to be returned on completion of RDP 6 scoping activity. **Achievements over the last 6 months:** • Over the past two quarters has made significant progress in various projects aimed at enhancing grid operations and supporting net zero initiatives. In Q4 FY25, the team delivered on several key plans, including the successful deployment of MW Dispatch Enhancements for RDP 3-NGED (SW England) and RDP 4-UKPN (SE England). These enhancements involved cutting over peripheral components such as Scheduling & Bounce Back, Network Access Planning, and Connections & Compliance tools into production, ensuring operational efficiencies and scalability as Distributed Energy Resources (DERs) connections increase. Additionally, the first phased roll-out for Grid Supply Points (GSPs) Technical Limits was completed with NGED, and subsequent phases with SSEN and UKPN are underway. The RDP 6 MW Dispatch project with Scottish Power Distribution (SPD) also progressed, with feasibility completed and business PID approved. • In Q3 FY25, we reshaped the Restoration programme, agreeing on new ICCP delivery dates and rejecting GE's RDST proposal based on legacy RTSRM product due to misalignment with user requirements and architecture. The team decided to leverage the GridOS platform for RDST, creating a dependency on NCMS delivery planned for Q3 FY26. Other initiatives included finalising the contract for DigSilent to simulate National Power Outage scenarios, initiating works for RIIGSE to ensure accurate information sharing during emergencies, and transitioning the Data Portal to the Digital Analytics Platform (DAP) for publishing auction results and storing extended Buy & Sell Orders. These efforts collectively aim to improve efficiency, data management, and service reliability across the electricity system.



Spend	**FY24 & FY25 Period**					
	BP2 Submission	£7.7m	**BP2 submission with BP1 under/ overspend**	£9.3m	**Approved Spend**	£7.6m
	FY22 to FY26 Period					
	BP2 Submission	£17.1m		**Approved Spend**	£14.1m	

350 Planning and outage data exchange						
Delivery and spend update	We continue to deliver quarterly releases for our Electricity Network Access Management System (eNAMS). Including Project Listing Document (PLD) Enhancement Quick Wins -Delivered process improvements for NESO Customers (Transmission Operators). Electricity System Restoration Standard (ESRS) – Distribution Restoration Zone Plan (DRZP) has enabled a unified outage reporting to improve collaboration, situational awareness, and efficiency in restoration efforts. Improvement on ERTS (Emergency Return To Service): profiling of ERTS which allows business to make more informed decisions on outage risk as it gives more granular detail of the ERTS. **Achievements over the last 6 months:** • eNAMS Enhancements: PODE Release 13. • eNAMS Enhancements: PODE Release 14. • Successfully implemented changes to the new NESO Logo, URLs, Domain changes and all standard templates EDE low-level design and refined Users Stories for Enduring EDE Base Solution. • WS3: External Data Exchange (EDE) Replacement.					
Spend	**FY24 & FY25 Period**					
	BP2 Submission	£3.3 m	**BP2 submission with BP1 under/ overspend**	£3.2m	**Approved Spend**	£2.9m
	FY22 to FY26 Period					
	BP2 Submission	£8.4m		**Approved Spend**	£8.1m	

<table>
<tr><th colspan="6">360 Offline network modelling</th></tr>
<tr><td>Delivery and spend update</td><td colspan="5">ONM programme continues to deliver the majority BP2 commitments in line with commitments in latter half of FY25

Achievements over the last 6 months:

• As part of the NESO License obligation - Offline Transmission Analysis (OLTA) Major Release of PowerFactory 2024 SP5B.
• Electromagnetic Transient (EMT) Minor release which enable multiple users on PSCAD enhanced servers on 28 February.
• Data Analytics Platform connectivity to share the PSSE Model from OLTA into DAP on OLTA Production environment 11 March.
• Data Registration Code Generation (DRC Gen) Pilot Go-live of the portal in readiness for the week 24 submission by generators on 7 March.
• Progress Co-simulations Understandings for preferred approach
• Build of new NESO PowerFactory Licence Server Non Prod Licence Server to AVAT Application.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£3.5 m</td><td>BP2 submission with BP1 under/ overspend</td><td>£4.9m</td><td>Approved Spend</td><td>£3.4m</td></tr>
<tr><td colspan="5">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£8.1m</td><td>Approved Spend</td><td colspan="2">£9.2m</td></tr>
</table>

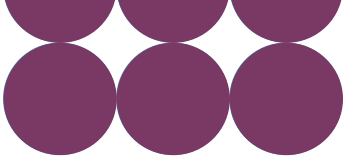
<table>
<tr><th colspan="2">380 Connections platform</th></tr>
<tr><td>Delivery and spend update</td><td>This investment has been expanded to include workstreams that have been prioritised by the Connections team in the Connections Digitisation Charter, including Securities process optimisation, Letters of Authority and Connections 360 geospatial visualisation and analytics. These are being delivered alongside BP2 commitments.

Achievements over the last 6 months:

• Release 9.1 Portal Enhancements - Improving customer experience and increase process efficiency by reducing manual tasks, data accuracy, real-time communication and streamlined document management.
• Release 9.2 Portal Enhancements - Continuous Improvement - Backend Application Fee Reconciliation - Interim Process. Also</td></tr>
</table>

<table>
<tr><td></td><td colspan="6">adding Connections 360 hyperlink. Allowing customers to gather more information about their (intended) Connection Site.
• Securities .Net Migration to Salesforce - Aligning to a standard UI and efficient business logic provided by Salesforce that enhances the usability and the performance of the Salesforce application and the portal user. Delivered (Technical Release).
• Securities Payments Data Automation - Increased visibility of securities payments from the Salesforce enabling the team to generate statements. Delivered (Technical Release).
• Construction Planning Assumptions tool - Use data-driven, automated solution to assess viability of connection projects. Delivered (Technical Release).
• Connections Reform - Completion of Discovery and prototyping work and launch of MVP builds.
• Connections 360 Go live (Prod) - Production release to wider industry including developers to view geospatially the connections data within public available Connections Registers.
• Release 9.3 Portal Enhancements - Portal filters, Cusc Notice & Test class fixes. - Delivered. Release 9.4 Digital Signature of Agreements (Offers E-signing) - Enabling customers to digitally sign agreements via Portal rather than offline via email or hardcopy. – Delivered Release 9.5 Portal Enhancements - (LOA, BCA Transitional & DEP - Query Management).
• DEP Design System - Implement design system changes to incorporate NESO purple colour theme and adjust font alignments across the CPP Portal.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£3.0m</td><td>BP2 submission with BP1 under/ overspend</td><td>£3.2m</td><td>Approved Spend</td><td>£6.1m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td></td><td>BP2 Submission</td><td colspan="2">£7.0m</td><td>Approved Spend</td><td>£15.7m</td></tr>
</table>

390 'Electricity Network Development Tools' (ENDT)	
Delivery and spend update	We have delivered on all Q3 & Q4 FY25 plans, apart from NAP automation in RDT due to firewall setting issues and writing user stories for Insightful Visualisation and Connector Risk Assessment which have been reprioritised due to tRESP project in investment 700 SEP using the same resources:



<table>
<tr><td></td><td colspan="6">Achievements over the last 6 months:
Completed DAP data ingestion for Demand Discrepancy dashboard with full integration to follow up.
Completed Rotor angle MVP development.
Implemented NESO rebranding.
Finalised Plexos European data scenarios refresh.
Finalisation of Economic Assessment enhancements has been completed.
The proof of concept (POC) for consolidating our energy market modelling tools has been completed with vendor. Contract termination and decommissioning of legacy solutions started as per plan..
PLEXOS DAP integration progressed with connectivity now established.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£6.0m</td><td>BP2 submission with BP1 under/ overspend</td><td>£6.3m</td><td>Approved Spend</td><td>£6.0m</td></tr>
<tr><td colspan="6">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£9.3m</td><td>Approved Spend</td><td colspan="2">£8.9m</td></tr>
</table>

<table>
<tr><td colspan="7">500 Enhanced Frequency Control</td></tr>
<tr><td>Delivery and spend update</td><td colspan="6">Enhanced Frequency Control has completed the following before closing the project:
Decommissioning of the physical & virtual components of the EFC non-Prod Demo solution has been successfully completed.
Circulation of supporting Internal & External EFC non-Prod Demo Findings Reports.
Progression of Project Closure activities (including circulation of closure Paper).</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="6">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£0.2 m</td><td>BP2 submission with BP1 under/ overspend</td><td>£0.3m</td><td>Approved Spend</td><td>£0.2m</td></tr>
</table>

	FY22 to FY26 Period			
	BP2 Submission	£1,2m	**Approved Spend**	£1.3m

650 Accelerating Whole Electricity Flexibility						
Delivery and spend update	We commenced our planning phase in Q3, prioritising the recruitment and shaping of the delivery team to enable next phase outcomes. We made the decision to first fully understand the DER impact assessment and next phase plan before mobilising a discovery stage for CER, as constraints and assumptions captured during DER discovery would most probably manifest themselves for CER. In Q3, PMB reviewed the AWEF programme scope and made a decision to separate Primacy from DER/CER Visibility and Access (now rebranded as TIDE - Transformation for Integration of Distributed Energy), meaning this investment will be solely focused on TIDE, and Primacy to be delivered via a separate investment. Achievements over the last 6 months: • Established programme governance structure and controls required to support engagement across impact NESO business areas to drive the delivery of priority DER use cases. • External consultants onboarded to augment business team resources and support TIDE delivery planning. • Finalised DER Visibility implementation plans based on outcomes of impact assessment and clarified project accountabilities. • Completed review of DNO technical impact assessment and aligned with DER Visibility implementation plans. • Successfully secured investment sanction for FY26. • Reviewed and agreed delivery commitment for Phase 3 of the TIDE Programme.					
Spend	**FY24 & FY25 Period**					
	BP2 Submission	£0.1m	**BP2 submission with BP1 under/ overspend**	£0.1m	**Approved Spend**	£0.1m
	FY22 to FY26 Period					
	BP2 Submission	£0.1m		**Approved Spend**	£0.7m	

<table>
<tr><th colspan="6">690 Geospatial and Locational Intelligence</th></tr>
<tr><td>Delivery and spend update</td><td colspan="5">We have delivered on all of our plans for FY25 Q4 apart from finalising commercial activities on Geospatial and Location Intelligence enduring solution due to longer than expected legal and commercial due diligence to select the best framework given NESO's new public status. Due to this we also weren't able to finalise an operating model aligned to enduring solution which requires support from solution vendor:

Achievements over the last 6 months:

• Enabled SSEP SEA Scoping report consultation to commence on 31st March as per consultation replan.
• Using this new capability we also enabled CP30 publishing with Geospatial visualisation: https://www.neso.energy/publications/beyond-2030/web-map. This has been enhanced with ETYS data and new functionality.
• We engaged across NESO via initiatives like GIS World day to capture use cases and create a backlog to define the enduring solution required. Given the uptake in urgent demand in this space, we have also procured interim licenses to for the full 2025 year to enable all this work to progress and current SSEP and CP30 deliverables to be maintained.
• Interim operating model drafted and backlog prioritised.
• Team mobilised to support the increasing demand for GIS capability.
• We secured procurement decision to contract directly with a vendor for their GIS solution for an initial 1-year contract duration.
• Commenced procurement for delivery partner services. This will allow us kick off a discovery activity for delivery of GIS enduring solution in Q1 FY26.</td></tr>
<tr><td rowspan="4">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£0m</td><td>BP2 submission with BP1 under/ overspend</td><td>£0m</td><td>Approved Spend</td><td>£0.7m</td></tr>
<tr><td colspan="5">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£0</td><td>Approved Spend</td><td colspan="2">£0.7m</td></tr>
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<tr><th colspan="6">700 Strategic Energy Planning</th></tr>
<tr><td>Delivery and spend update</td><td colspan="5">In order to support Strategic Energy Planning at pace, we mobilised a team to support all activities regarding Strategic Spatial Energy Plan (SSEP), Regional Strategic Energy Plan (RESP) and Centralised Strategic Network Plan (CSNP) in Q3 FY25, ahead of sanctioning. Given the overlapping nature of capability needs and data plus analysis processes of this NESO directorate, we have mobilised a cross functional team on all digital needs to support this directorate as a whole.

Achievements over the last 3 months:
Led Future Energy Scenarios/SEP cross cutting workshops held ensuring there is appreciation and understanding of end-to-end processes, data requirements and working assumptions driving collaboration and value sharing between NESO departments.
Created feature level Capability Roadmap and Enterprise Architecture across SEP.
Fed in DD&T requirements and refinement of methodologies and consultations across SEP.
Defined scope and delivery plan for a Minimum Viable Product Artificial Intelligence search & query tool for Strategic Spatial Energy Plan (SSEP) and commenced build of solution to aid in consultation work and negate the need to hire extra FTEs.
Completed a Proof of Concept for tRESP (transitional Regional Energy Spatial Plan) pathways. Progressing with delivery of full scope which will become a NESO wide tool.
Built data capability across SEP, including data governance standards, data lifecycle processes, building a data catalogue and exploring data operating models.
Built and went live with a CP30 tracker MVP on Connections Portal platform enabling Ofgem, DESNZ and TOs to track progress of CP30 projects.</td></tr>
<tr><td rowspan="3">Spend</td><td colspan="5">FY24 & FY25 Period</td></tr>
<tr><td>BP2 Submission</td><td>£0</td><td>BP2 submission with BP1 under/ overspend</td><td>£0</td><td>Approved Spend</td><td>£0.4</td></tr>
<tr><td colspan="5">FY22 to FY26 Period</td></tr>
<tr><td>BP2 Submission</td><td colspan="2">£0</td><td>Approved Spend</td><td colspan="2">£0.4m</td></tr>
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