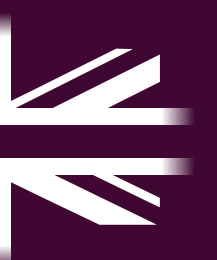


NESO Business Plan 1

November 2025



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Introduction

The UK’s 2023 Energy Act set the legislative framework for an independent system planner and operator to help accelerate Great Britain’s energy transition, leading to the establishment of the National Energy System Operator (NESO) on 1 October 2024. The creation of NESO was driven by an urgent need to unify and optimise the approach to energy. The current system, though effective in many ways, requires a more integrated and coordinated strategy to meet the unprecedented challenges of ensuring secure energy supply, climate change and importantly making costs manageable for energy consumers of today and tomorrow.

NESO lies at the heart of transforming that system as an independent, non-profit public corporation responsible for planning Great Britain’s electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system. In fulfilling this central role, NESO brings together elements such as system planning, real-time operation, and future-focused insights to drive coordinated progress across the energy landscape.

NESO’s Corporate Strategy sets out how it will deliver on this mandate, setting out key strategic goals and measures that clarify our priorities for the next five years. This provides a framework within which this business plan sits detailing our aims, activities and spending for the coming two years.

The Evolving State of the Energy Sector

The UK energy sector is undergoing a significant transformation. While notable progress has been made toward achieving net zero emissions, the journey is entering a more complex and demanding phase. The government’s ambition to deliver a clean power system by 2030 is accelerating this shift, calling for coordinated action across every part of the energy system from generation and infrastructure to markets and consumers.

Despite these advances, the UK remains vulnerable to fluctuations in global gas markets which continue to influence domestic energy prices and impact households and businesses. As we look ahead, the energy landscape will be shaped by rapid and interconnected changes. NESO’s strategic priorities and the way it operates must consider several key trends:

- **There is a need for greater energy security and national resilience** in the face of global energy market volatility. Ensuring protection against price volatility through diversified, domestic energy sources and mitigation of growing concerns around resilience—both in supply security and climate-related disruptions.
- **The adoption of clean energy technologies** will intersect with broader economic, social, and technological developments, requiring flexible and forward-thinking solutions.
- **Public engagement and support** for the energy transition will be shaped by diverse and evolving factors, including affordability, accessibility, trust in the system and ongoing security of supply. It will also be driven by economic growth and job creation.

Our remit spans the whole energy system, including electricity, gas, hydrogen, bioenergy, and carbon. This includes both supply-side coordination and enabling greater efficiency and flexibility in energy demand. We coordinate the flow of electricity across transmission systems, plan for future infrastructure needs, and provide trusted, whole-system insights to government, regulators, industry, and the public.

NESO’s statutory duties require us to carry out our functions in the way that best promotes:



Security of supply

Ensuring energy is reliable and resilient across all seasons and scenarios.



Efficiency and economy

Delivering value for consumers and the wider economy through system-wide optimisation.



Net Zero Objective

Enabling the transition to a low-carbon energy system.



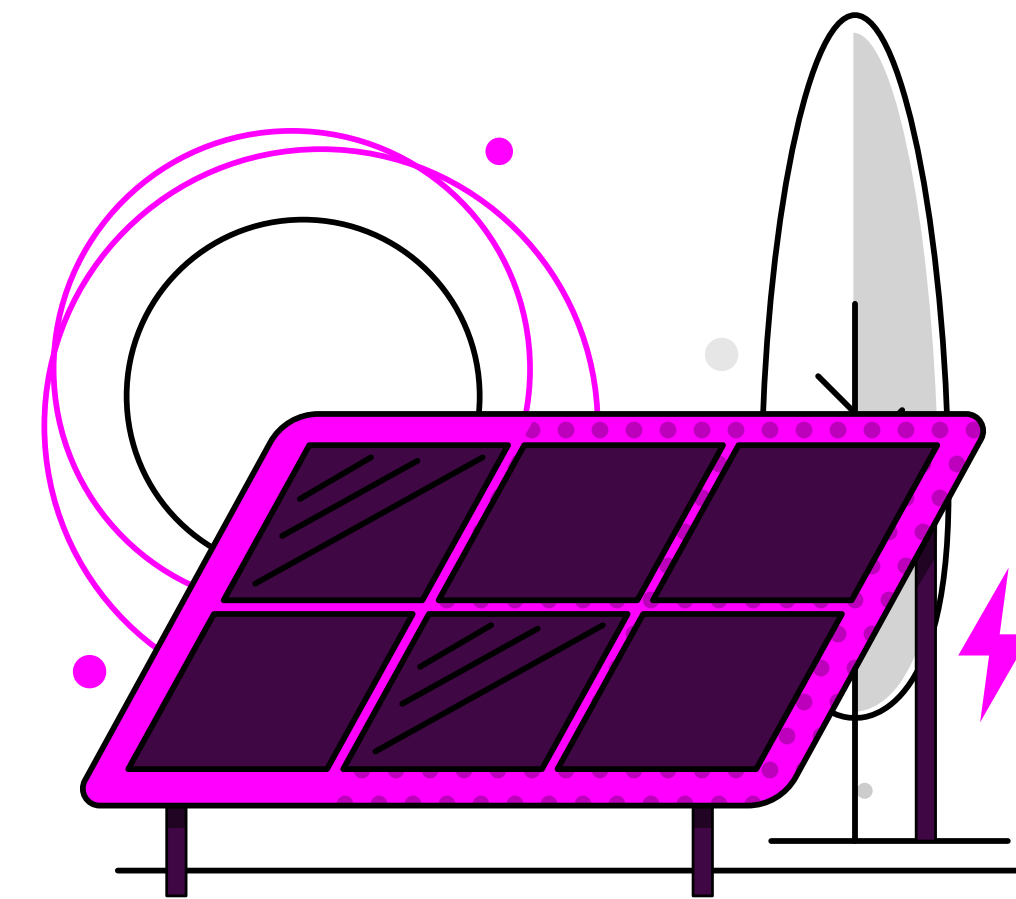
Developing NESO's Five-Year Strategy

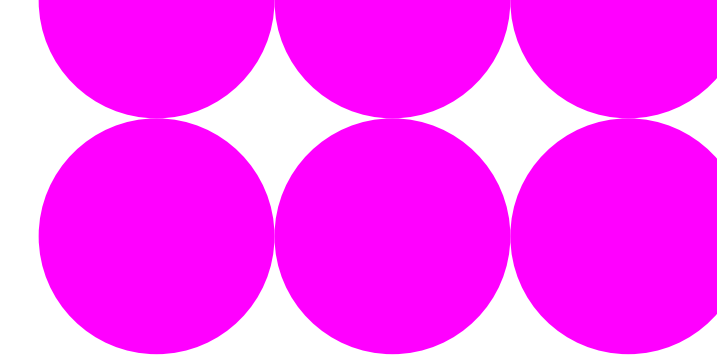
NESO's Corporate strategy serves to clarify how NESO will deliver our statutory duties through our day-to-day operations. It translates long-term ambitions into clear, measurable goals that guide our organisational priorities, major deliverables and regulatory responsibilities. This ensures that NESO remains aligned with our statutory duties while staying agile in the face of a rapidly evolving energy landscape.

The development of our Strategy is grounded in three key principles:

- **Annual review and adaptation** – We will regularly update our Strategy to reflect changes in market dynamics, government policy, and the wider external environment.
- **Customer Needs** – We will actively seek input from across the energy sector and beyond, ensuring our direction is informed by a broad range of perspectives and expertise.
- **Horizon scanning** – We will look ahead to identify emerging trends, risks, and opportunities, helping us stay proactive and future-ready.

Our Strategy is not static it evolves with new insights, technologies, and policy developments. This dynamic approach enables NESO to remain a trusted and forward-thinking leader, capable of navigating uncertainty and delivering long-term value for the energy system and society.





Engaging with customers and stakeholders

The development of NESO's Strategy was grounded in a comprehensive and inclusive customer engagement process. Recognising that the energy transition cannot be achieved in isolation, we actively collaborated with a wide range of partners across the energy ecosystem to ensure the Strategy reflects shared priorities and real-world needs.

Key contributors included:

- **Ofgem** – to ensure regulatory alignment and support for the evolution of market frameworks that enable whole-system thinking.
- **Department for Energy Security and Net Zero (DESNZ)** – to align government policy priorities and net zero targets with NESO's operational and planning frameworks.
- **Independent stakeholder groups and strategic partners** including Citizens Advice, Energy Systems Catapult, the Royal Academy of Engineering and others to provide external challenge, promote transparency, and represent the voices of consumers, communities, and civil society.

This was not a one-off consultation, but a structured and iterative process that shaped both the direction and content of the Strategy. Through this engagement, we were able to:

- Validate its strategic priorities against the expectations and experiences of stakeholders.
- Identify areas of alignment and divergence across the sector.
- Strengthen the legitimacy, relevance, and deliverability of the Strategy.

As a result, the Strategy represents more than just NESO's vision it reflects a collective commitment to building a future energy system that is resilient, inclusive, and aligned with the UK's national goals.



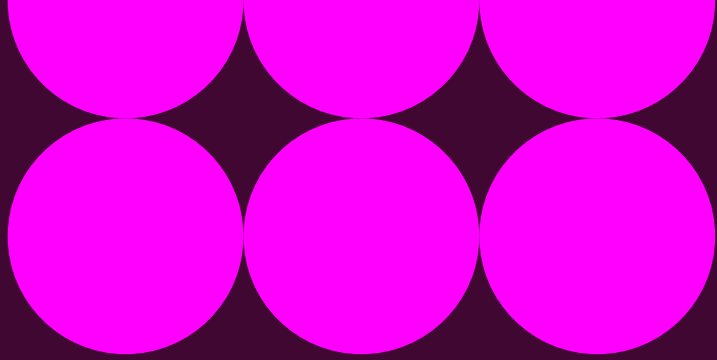
Navigating Uncertainty: Insights from Horizon Scanning

Our strategy is intentionally forward-looking, designed to remain resilient and relevant in a world of rapid and unpredictable change. To support this, we conducted a structured horizon scanning exercise, analysing long-term trends and emerging developments that could shape the UK energy system over the next 10 to 20 years. This approach ensures that our short-term actions are aligned with long-term outcomes and that we remain agile in the face of uncertainty.

By embedding long-term thinking into a five-year strategy, NESO can help futureproof the system, guide investment, and ensure that today's choices unlock tomorrow's opportunities.

By integrating horizon scanning into our core functions, NESO ensures we are not just keeping pace with change but actively shaping the future of the UK's energy system. This proactive approach helps us identify long-term risks and opportunities, ensuring the strategy remains robust, adaptive, and aligned with the evolving needs of society.

Given the dynamic environment in which we operate, our strategy cannot remain static. In line with our first key principle, we are committed to regularly reviewing it to ensure it stays relevant and effective as the future evolves.



Strategy on a Page

HOW WE WILL DEFINE SUCCESS	PURPOSE	Forge the path to a sustainable future for everyone			
	VISION	A future where everyone has access to reliable, clean and affordable energy: Our work will be a catalyst for change across the global community			
	GOALS	<p>Drive consumer value</p> <p>We will minimise supply and price risks, design competitive markets, and efficiently manage system costs through effective operational decisions, benefiting consumers positively</p>	<p>Deliver a secure, resilient, and operable energy system</p> <p>We will ensure the whole energy system remains resilient, secure, and operable during the energy transition by managing risks, seizing opportunities, and developing the necessary capabilities to enable and facilitate it</p>	<p>Pave the way to Sustainable Energy</p> <p>We will design, develop and deliver a Clean Power System by driving innovation, attracting investment, and advising decision-makers to help achieve a successful and fair transition to a net zero energy system</p>	<p>Lead as a trusted expert</p> <p>We will foster strong partnerships nationally and globally, leveraging digitalisation and data across the whole energy system and facilitating growth</p>
	VALUES	 <p>Be Curious</p>	 <p>Create Belonging</p>	 <p>Accelerate Progress</p>	 <p>Build Trust</p>
	STRATEGIC AIMS	<p>A highly engaged and motivated workforce</p> <p>Delivering resilience & operational continuity in an economic and efficient manner</p> <p>A connections queue of viable strategically aligned projects</p> <p>A high degree of customer trust</p> <p>The first GB Strategic Energy Planning cycle completed, and SSEP & RESP embedded</p> <p>Great Britain's Clean Power Ambition is on track to deliver</p>			

Our Strategy

The last decade has seen unprecedented change in the energy system. This rapid transformation is set to intensify in the years ahead. NESO's strategy is anchored in a clear sense of purpose and shared values. Our role as a trusted, independent system operator and planner demands not only technical excellence, but also a commitment to leading change. By setting out our purpose, vision, and values, we provide a foundation for the behaviours and decisions that will drive progress.

Our Purpose, Vision and Values

Our purpose defines our role in the world. Our vision sets the direction for where we're headed. And our values guide how we work every day with each other, with our partners, and with the communities we serve.



Our purpose is to forge the path to a sustainable future for everyone.



Our vision is a future where everyone has access to reliable, clean and affordable energy; our work will be a catalyst for change across the global community.

Our values are:



Accelerate Progress

We deliver better outcomes at pace when we take accountability, are courageous and progress the bigger picture.



Be Curious

We achieve more when we demonstrate a growth mindset, being curious, asking questions beyond and within our organisation to develop, learn and innovate.



Build Trust

We build trust when we listen to and understand the needs of our colleagues and customers, are transparent with our actions and deliver on our commitments.

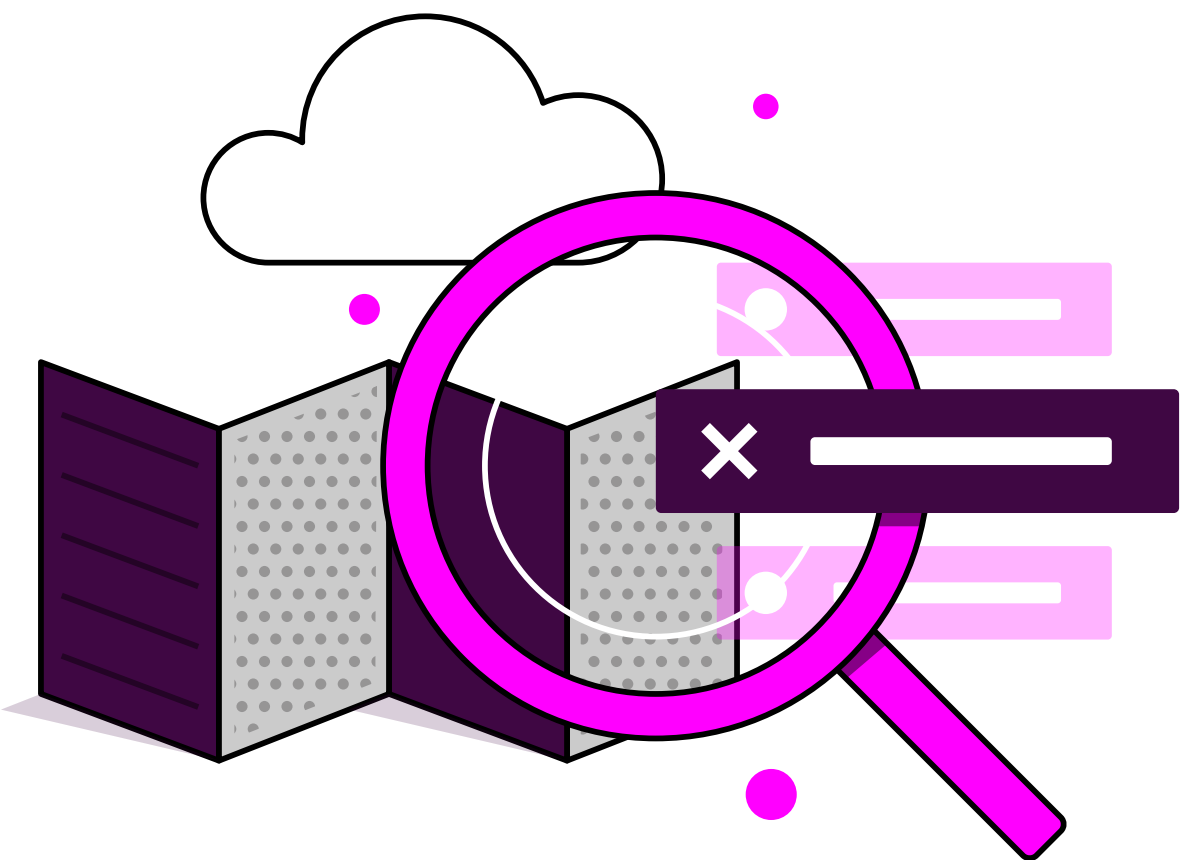


Create Belonging

We perform at our best when we can be our true selves, embrace diversity and are truly inclusive.

Our Goals – What NESO is setting out to achieve

NESO’s goals are grounded in the Energy Trilemma balancing affordability, security, and sustainability which are interdependent and increasingly critical in today’s energy landscape. These priorities are enshrined as NESO’s Primary Duties in the Energy Act 2023, and their relative importance will shift over time as the system evolves. As the energy system grows more complex, NESO’s whole-system perspective, technical expertise, and convening power position us to lead with trust driving coordinated action, innovation, and enduring partnerships to deliver a secure, affordable, and sustainable future.



Drive Consumer Value

Consumers are facing increasing pressures from rising energy costs and market volatility. Delivering value to us means minimising these risks where possible and focusing on our role in affordability, transparency, and efficiency. In doing so we can support economic stability and build trust in the energy system.

Deliver a secure, resilient, and operable energy system

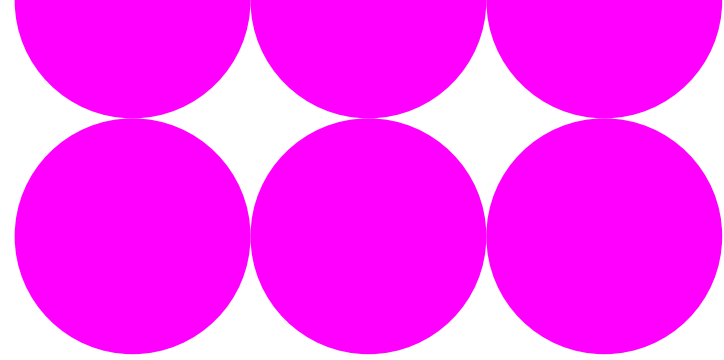
A secure and resilient energy system is the backbone of modern society. As we transition to cleaner energy sources, maintaining system operability is vital to avoid disruptions, safeguard national infrastructure, and support economic continuity. Ensuring resilience means being prepared for emerging risks, adapting to change, and enabling a reliable energy supply under all conditions.

Pave the way to Sustainable Energy

The transition to clean energy system is essential not only for tackling the threat of climate change but also for fostering long-term energy security, economic resilience, and ensuring energy equity for future generations. It represents a pivotal opportunity to modernise infrastructure, stimulate innovation, and create sustainable growth.

Lead as a trusted expert

In a rapidly evolving energy landscape, expertise and trust are more important than ever. Stakeholders, from governments to consumers, need reliable guidance to navigate complexity and make informed decisions. By leading with integrity, fostering collaboration, and leveraging data and digital innovation, we can shape the future of energy with confidence and credibility.



Our strategic aims – Defining success to 2031

Within our strategy, our strategic aims set out how we will define success, reflecting NESO’s highest priorities for the energy system and our organisation. They set out the outcomes NESO intends to achieve over the medium- to longer-term to deliver its overall organisational vision. They are shaped by stakeholder engagement and directly informed by the government’s Strategic Policy Statement (SPS), which sets priorities for energy security, system modernisation, and enabling clean energy and net zero infrastructure.

Each aim includes a defined five-year outcome, success metrics, and two-year milestones to track progress. This structure ensures transparency and accountability, and provides clarity on the shorter-term objectives, commitments, and investments underpinning our Business Plan.

A highly engaged and motivated workforce

Purpose	Strategic Period Outcome	Key Milestone (Apr 2026–March 2028)	How we will track progress
An engaged workforce is essential to NESO’s ability to deliver innovation, collaboration, and high-quality outcomes. It supports organisational resilience and ensures that NESO’s statutory duties are fulfilled effectively and efficiently.	Demonstrate sustained improvement in colleague engagement across priority areas, with evidence of alignment to NESO’s purpose and values.	Achieve uplift in engagement scores in priority areas identified in the baseline survey.	<ul style="list-style-type: none">Annual colleague survey scoresSegmentation by team and functionBenchmarking against sector norms

Delivering resilience and operational continuity in an economic and efficient manner

Purpose	Strategic Period Outcome	Key Milestone (Apr 2026–March 2028)	How we will track progress
A resilient and cost-effective energy system supports national infrastructure, economic activity, and public confidence in the energy transition.	Maintain system reliability while demonstrating improvements in cost-efficiency and responsiveness to emerging risks.	Demonstrate improvement in balancing costs from FY25 forecast and incident response from FY25 baseline.	<ul style="list-style-type: none">Balancing costs*System stability

A connections queue of viable strategically aligned projects

Purpose	Strategic Period Outcome	Key Milestone (Apr 2026–March 2028)	How we will track progress
A strategically aligned and viable connections queue accelerates clean power deployment and supports system reliability.	Increase the proportion of connection offers issued to projects that are both viable and aligned with strategic system priorities.	Improve the ratio of strategically aligned offers from the year 1 baseline.	<ul style="list-style-type: none">Ratio of viable to non-viable projectsAlignment of technologies and locations with system needs.

*Initiatives implemented and tracked against the adjusted FY25 forecast

A high degree of customer trust

Purpose	Strategic Period Outcome	Key Milestone (Apr 2026–March 2028)	How we will track progress
To drive progress relies on strong, trusted relationships with customers. Their confidence, engagement, and active participation are essential to turning strategic intent into meaningful action.	Strengthen NESO’s reputation as a trusted partner through improved stakeholder engagement and transparency.	Achieve improvement in trust scores across key stakeholder groups from FY25 baseline.	<ul style="list-style-type: none">• Targeted surveys• Assessment of reliability, transparency, and engagement• Stakeholder sentiment analysis

The first GB Strategic Energy Planning cycle completed, and SSEP and RESP embedded

Purpose	Strategic Period Outcome	Key Milestone (Apr 2026–March 2028)	How we will track progress
Coordinated planning ensures national and regional priorities are addressed, supporting growth, resilience, and environmental goals.	Embed SSEP and RESP frameworks into NESO’s operational and planning processes, with demonstrable adoption.	Complete first full cycle with evidence of integration into decision-making.	<ul style="list-style-type: none">• Quality and integration of planning outputs• Stakeholder feedback

Great Britain’s Clean Power Ambition is on track to deliver

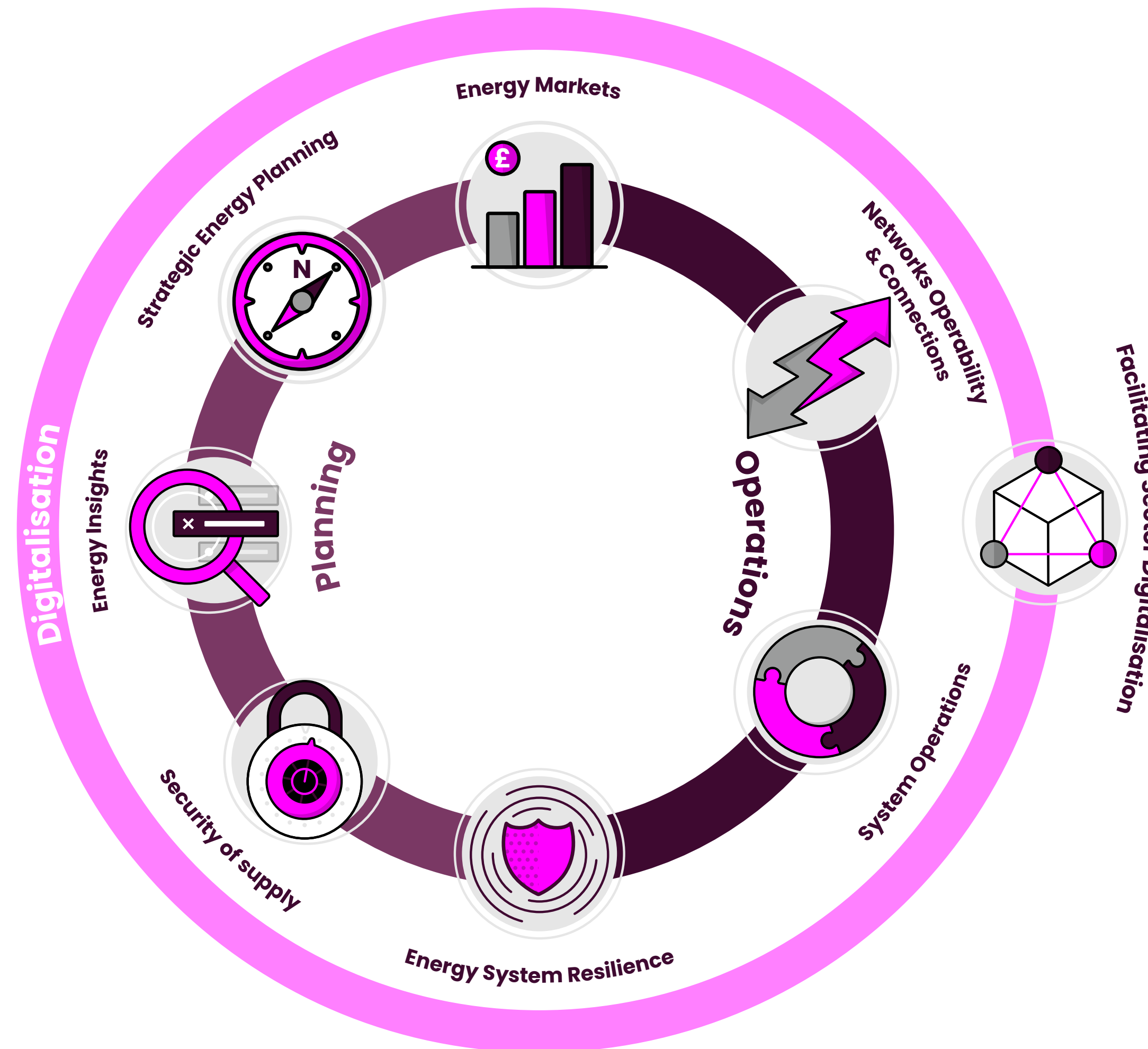
Purpose	Strategic Period Outcome	Key Milestone (Apr 2026–March 2028)	How we will track progress
Clean power delivery reduces emissions, enhances energy security, and supports net zero goals.	Demonstrate measurable progress in reducing system-wide carbon intensity and increasing clean generation share, in line with national targets.	Evidence of progress toward clean power targets, accounting for external dependencies.	<ul style="list-style-type: none">• Annual assessment of carbon intensity• Clean generation share of total capacity




How We Will Deliver

NESO plays a central role in shaping Great Britain's energy system through eight core roles that connect actors, markets, and technologies. By consolidating within a single organisation, NESO enables whole-system coordination, reduces duplication, and drives efficiency across the sector.

Our work delivers tangible impact supporting competitive markets, enabling smarter system operation, and strengthening infrastructure resilience all underpinned by trusted, evidence-based insights that inform regulatory decisions and industry investment.



 Click icons for more information

The delivery of our strategic aims through targeted services to industry and stakeholders forms the foundation for our forward planning. These services are not static; they are shaped by performance objectives that demand continuous improvement, sector responsiveness, and demonstrable impact.

As we move into the next two-year business plan the activities embedded within our eight core roles are central to achieving desired outcomes. These activities generate direct benefits but also incur costs and require targeted investment to remain effective and future ready. Our business plan focuses on the major outcomes that NESO intends to achieve by the end of the two-year Business Plan period.

Delivering on our objectives will require change initiatives, including capability uplift, digital transformation, and enhanced stakeholder engagement.

This Business Plan sets out the programme of work, investment priorities, and performance commitments that will guide our delivery over the next two years. It reflects a clear line of sight from strategic intent to operational execution, ensuring that NESO continues to meet the needs of the UK energy system while upholding high standards.



Introduction

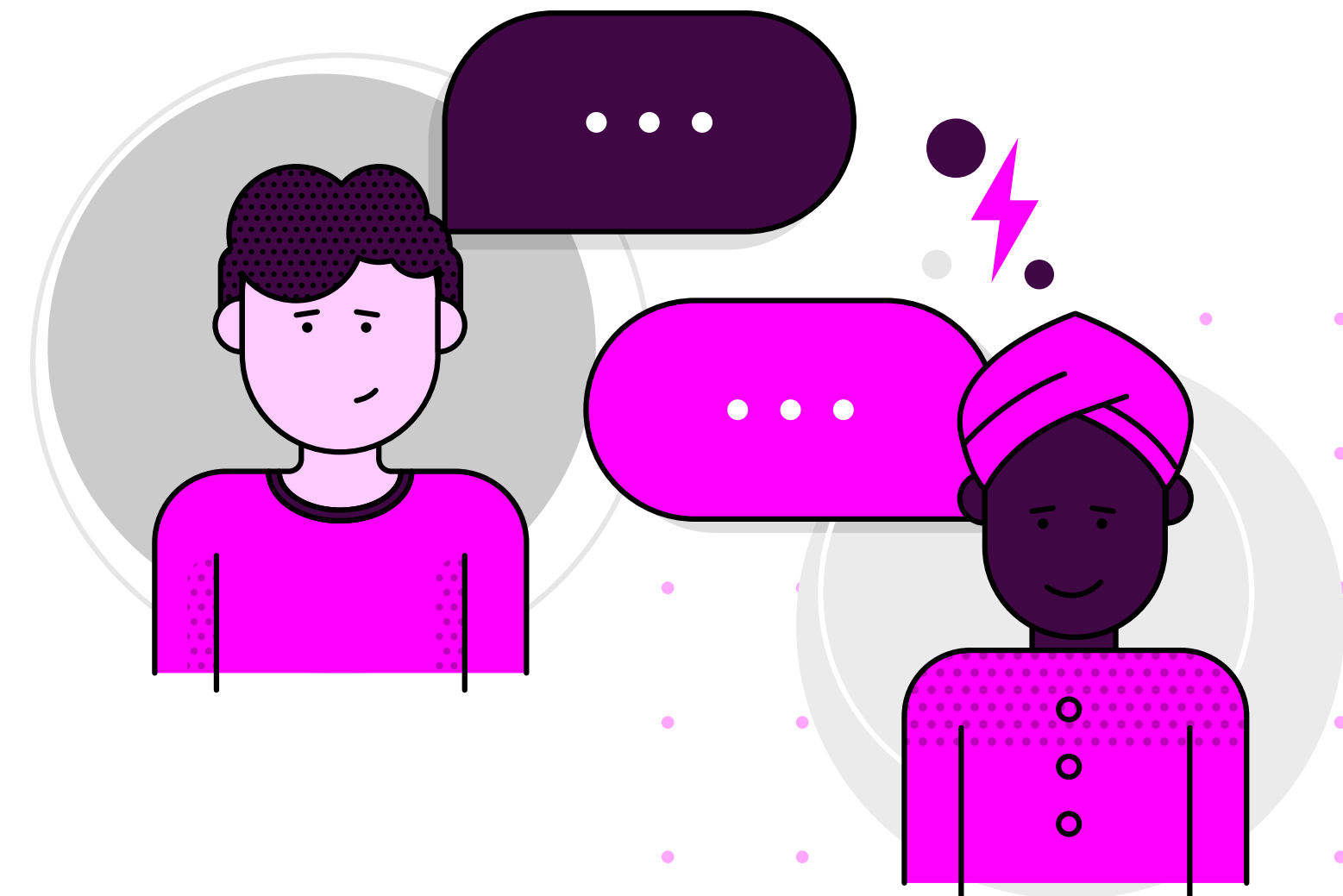
NESO's Business Plan outlines our strategic objectives and priorities for the two-year period from 1 April 2026 to 31 March 2028. It sets out the actions we will take, the changes we aim to deliver, and the impact these will have across the energy system—providing a clear and transparent view of how NESO will drive progress and deliver measurable outcomes throughout the cycle.

As a publicly accountable organisation, delivering value and ensuring value for money (VfM) is central to NESO's mission. We recognise that the way we use resources must be demonstrably efficient, effective, and aligned with the long-term interests of consumers.

This Business Plan is therefore structured to provide:

- A robust ex-ante assessment of how our activities will deliver benefits relative to their costs.
- A practical framework for performance management and reporting, which NESO will use day-to-day.

By doing so, we ensure that our commitments are not only credible at the point of submission, but also capable of being tracked, evidenced, and evaluated throughout the life of the plan.



Stakeholder Engagement: The Foundation of Our Business Plan

NESO's Business Plan is fundamentally shaped by the voices of our stakeholders. Over the past year, we have engaged widely through targeted forums, bilateral meetings, independent stakeholder groups, and open consultations with consumers, industry partners, government, and regional representatives. This engagement has surfaced several clear themes:

- **Flexibility:** Stakeholders consistently call for NESO to accelerate demand-side flexibility and enable a broader range of flexible solutions, including support for smaller technologies and new market entrants.
- **Whole System Focus:** There is a strong push for NESO to rapidly broaden its remit beyond electricity, explicitly incorporating gas (including biomethane and hydrogen) and supporting decarbonisation across heat networks and other sectors.
- **Transparency and Accountability:** Stakeholders want NESO to be clear about what we can and cannot influence and to provide meaningful, quantifiable success measures.
- **Regional and Consumer Value:** Feedback emphasises the importance of regional energy planning and ensuring that consumer value and system resilience are at the heart of all deliverables.
- **NESO's role in tackling constraint costs:** Constraint costs are rising as renewable generation expands. Stakeholders recognise that management of constraint costs requires a collective effort across industry and government, but that NESO plays a critical role and therefore there is a need for clarity on the activities NESO is undertaking.





Clean Power 2030 (CP30): Stakeholders have requested that we clarify how our delivery pathway for CP30 is reflected across our activities. This includes enhancing flexibility to meet CP30 targets, clearly aligning our Strategic Energy Plans with CP30, clarifying the role of sources like biomethane, and providing robust modelling and data to support our advice. Central to this is the expectation that we continually assess how to maintain high system reliability in a predominantly renewable generation future.

Prioritisation: Stakeholders, including Ofgem, recognise that we operate in a dynamic and ever shifting environment which means that the activities we undertake need to be able to flex accordingly. Indeed, NESO's regulatory framework is designed to enable such flexibility and adaptability throughout the Business Plan cycle to respond to changing situations. Stakeholders have asked us to identify the things we would continue to prioritise should anything unexpected emerge within the two-year business plan period, reflecting both regulatory obligations and the priorities identified through stakeholder engagement. In this regard, we have identified the following priority activities:

- Implementing 'Enabling Demand Side Flex' and the Clean Flex Roadmap: Directly responding to calls for greater flexibility and innovation.
- Progressing reformed national pricing, including balancing and constraints: Addressing stakeholder concerns about cost allocation and market access.
- Transforming system operations for Clean Power 2030 and strategic access reform: Enabling decarbonisation and system resilience, as requested by both stakeholders and government.
- Developing a Whole System Resilience & Risk Framework: Ensuring robust planning and risk management, aligned with government strategy and stakeholder expectations.
- Delivering our strategic energy plans: Reflecting the demand for regional focus and whole system integration.

The value NESO unlocks

We recognise the criticality of demonstrating the delivery of value across everything that we do. To demonstrate the full breadth of its impact, NESO has adopted a robust, outcomes focused methodology that goes beyond traditional cost metrics. This approach responds to stakeholder feedback and aligns with Ofgem’s evolving regulatory view by capturing a broader spectrum of value both monetisable and non-monetisable impacts.

To demonstrate the value NESO adds, we have adopted a top-down approach to estimate a headline economic impact providing a clear, accessible indicator of NESO’s strategic contribution to the UK energy system. This high-level assessment considers our wider impact, while intentionally simplifying the full breadth of value delivered by NESO’s activities over the regulatory period.

During the NESO1 period to FY28, our actions will deliver **up to £3.2bn in consumer value, demonstrating our commitment to powering progress and delivering lasting impact.**

Aggregating Impact:
How NESO’s Roles Drive Strategic Value

To fully articulate the value NESO delivers, we complement our top-down assessment with a bottom-up analysis of role-level contributions. This dual approach ensures that NESO’s strategic priorities are grounded in tangible, operational activities, and that stakeholder expectations are met with clear evidence of value for money.

Each NESO role contributes uniquely to our overarching strategic goals. These roles interact synergistically, with some delivering direct monetisable benefits and others enabling or amplifying value through insight, coordination, and long-term preparedness.

Together, these roles form a tightly integrated value chain. Operational activities at the role level are not isolated they interact dynamically to deliver the strategic outcomes.

This interconnected framework ensures that NESO’s value is not only measurable but also enduring. While the business plan focuses on the NESO1 period to FY28, the foundations laid by these roles will continue to deliver benefits well beyond the regulatory cycle, supporting long-term system efficiency, resilience, and decarbonisation. This approach forms a key component of the performance framework under which NESO will execute the business plan and inform decision making within the execute including the prioritisation of activities and interventions.

We provide detail on the output of this, aligned to our Performance Objectives, in Appendix 1: Delivering Value.

Consumer Value:
Up to £1.2 billion

NESO reduces energy system costs through its actions and initiatives, delivering annual savings through improved system efficiency. Over the NESO1 period, these actions are expected to generate significant value demonstrating a clear commitment to powering progress and delivering lasting impact.

Deliver a Secure,
Resilient and Operable
Energy System:
Up to £245 million

NESO creates societal value by ensuring a reliable and operable energy system, which underpins public confidence and system stability. By consolidating key responsibilities, NESO eliminates duplication, enhances collaboration, and strengthens operational resilience across the sector.

Pave the Way to
Sustainable Energy:
Up to £1.5 billion

By accelerating grid connections and reducing investor risk, NESO will enabler between £670 million and £1.2 billion in investment by the end of the business plan period. These efforts directly support the UK’s net zero targets, avoiding emissions valued at £125 million to £225 million over the regulatory period.

Lead as a Trusted
Expert: Up to
£310 million

NESO’s trusted expertise and data-driven insights give stakeholders confidence in the fairness, security, and affordability of the energy transition. By lowering system costs, NESO reduces input prices for industry enhancing competitiveness and stimulating economic activity. This is expected to generate significant additional gross value added (GVA) over the regulatory period.

Delivering NESO1

To deliver on our long-term vision, NESO has defined a series of **Performance Objectives for the current Business Plan period. These are not isolated initiatives; they are strategically aligned to build the capabilities, forge the partnerships, and generate insights needed to drive meaningful and lasting change.**

Each Performance Objective plays a critical role in bridging the current energy system with the future system we are working to create. They represent an ambitious and comprehensive view of our delivery priorities, aligned with sector and consumer needs. These Performance Objectives are underpinned by Major Deliverables and Success Indicators that explain how outcomes will be attained in practice whilst providing clarity on how successful delivery will be measured.

Operationalising through effective performance and governance

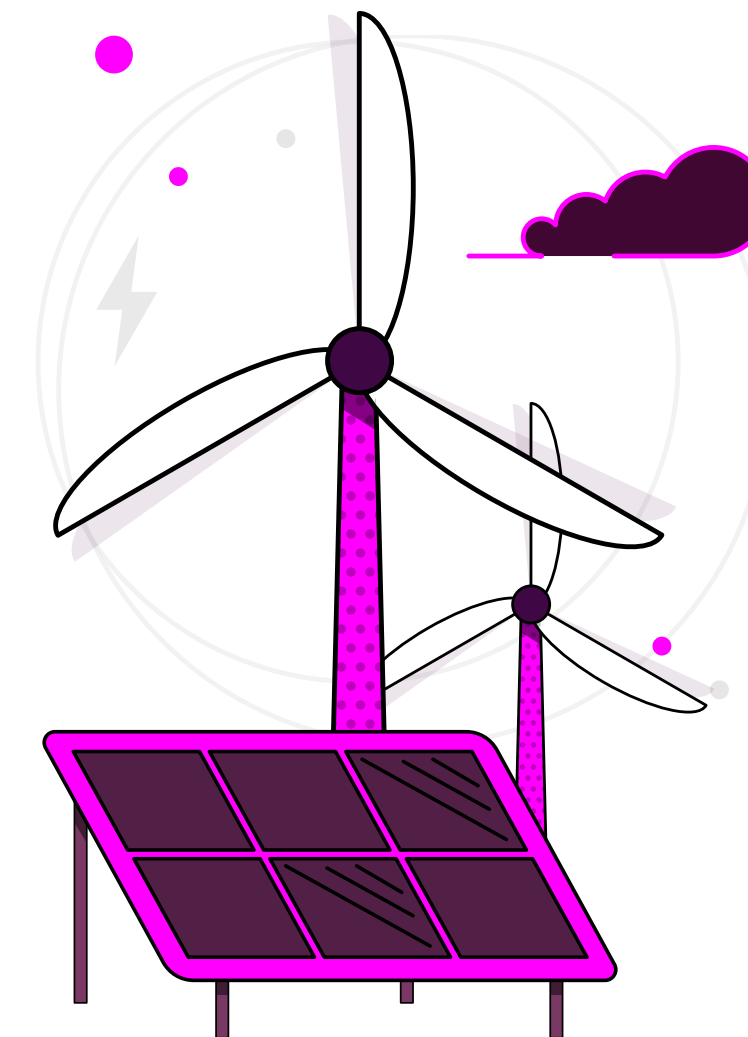
Our performance management framework ensures every action is purposeful, justified, and delivers real value for consumers and the energy system. We achieve this by combining strategic planning and ex-ante assurance with integrated business processes, strong governance, transparent performance reporting, and a culture of continuous improvement.

This approach creates a clear link between ambition and impact ensuring NESO remains agile, accountable, and focused on outcomes that matter to stakeholders and regulators alike.

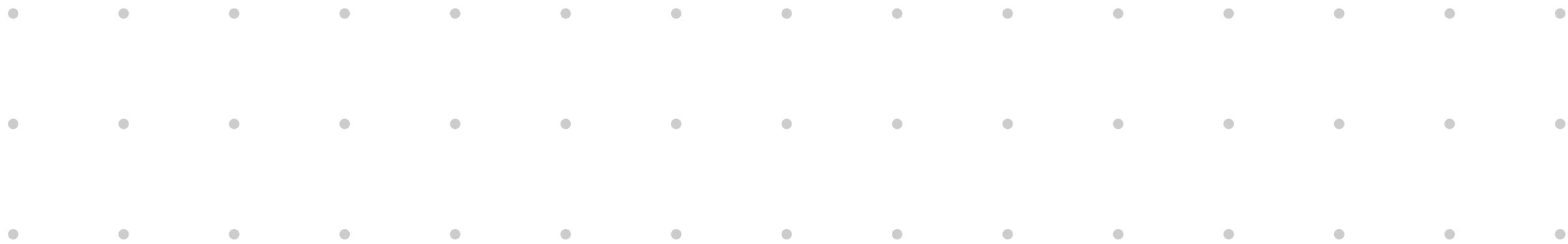
Quality by design: Embedding excellence in delivery

Our delivery approach is grounded in quality that reflects best practice standards and regulatory expectations for transparency, consistency, and continuous improvement. Our commitment ensures that delivery is not just about meeting milestones, but about achieving high-quality, enduring outcomes.

This is reflected in how we engage with stakeholders, prioritise customer experience, and apply rigorous assurance across our portfolio. Shaped by structured governance, independent assurance, and a proactive approach to risk management. Our evidencable position will be supported by transparent metrics and qualitative reporting as described within this document.

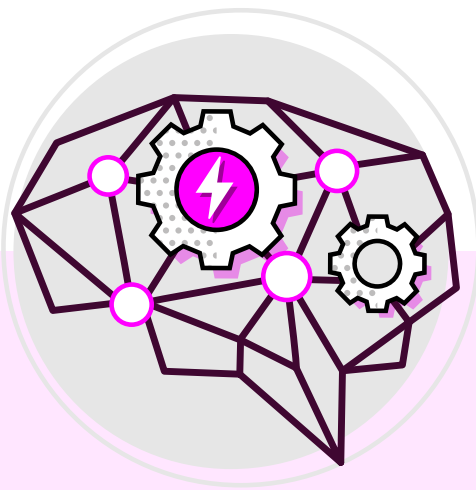


Performance Objectives



Planning a Clean Energy Future

NESO will shape the future of energy by defining the energy infrastructure requirements across Great Britain that reflect societal and community values, safeguard the environment, maintain system resilience and ensure consumer benefits are realised. This will guide the transition to a clean, affordable and secure energy for GB by delivering first-of-a-kind whole energy strategic planning.



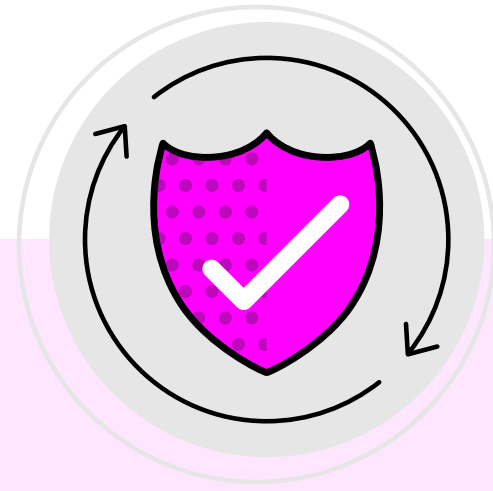
Operating an Intelligent, Real-Time Grid

NESO will operate a flexible, and increasingly intelligent, electricity system, optimising transparent real-time decision-making and ensuring ongoing resilience of the energy system. Enhanced operational decision-making will be enabled through data, automation and future-ready digital tools. Operational capability will be transformed by maximising the benefit of digitalisation and ensuring the correct skillsets and processes are in place to manage increasing variability and complexity of the GB Power System.



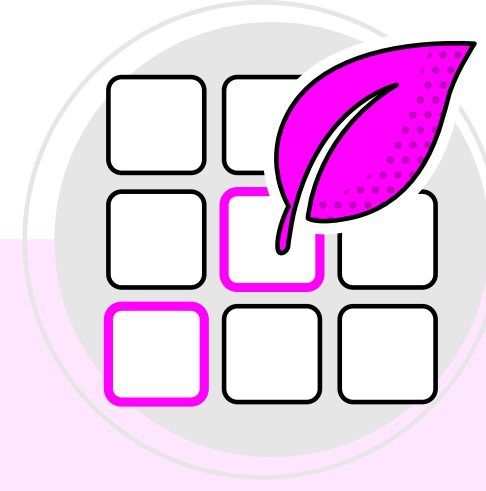
Enabling Smarter, Cleaner Markets

NESO will evolve key market frameworks to enhance market signals and improve market access, and provide open access to systems and data. This will increase competition, reduce supply and price risks, support flexibility and innovation, and enable efficient market participation of new technologies and distributed resources.



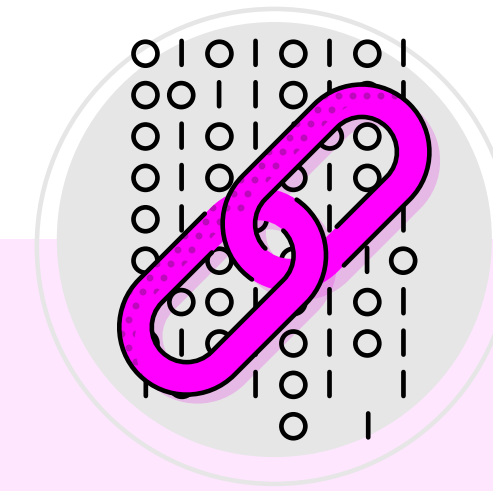
Driving Whole-System Resilience

NESO will drive improvements in whole energy system security and resilience by being the catalyst for coordinated and prioritised action across the system to address risks. We will deliver clear insights and advice to our stakeholders through robust analysis, systematic, and topical assessments, reviews, emergency exercises, and plans -grounded in an evolving understanding of system risks and interdependencies. This cycle of continuous learning, assessment, and action will reinforce NESO's position as a trusted technical authority and enhance system resilience.



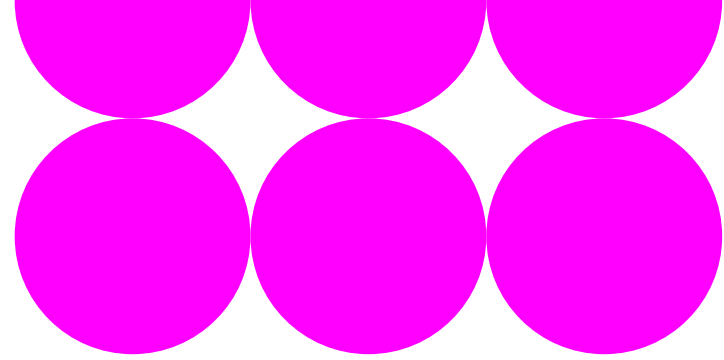
Delivering a Decarbonised, Operable Grid

NESO will enable efficient connections and coordinated system standards, delivering a resilient, operable and decarbonised energy system whilst reducing barriers to entry. Reordering the connections queue will ensure timely and efficient network connections that support system growth and delivery of CP30. This will be underpinned by a reimagined and transparent enduring connections process, whilst maintaining coordinated operability standards across an increasingly complex, decentralised energy system.



Building a Digitally Connected Energy System

NESO will enable a digitally connected energy system through open data, smart standards, AI and interoperable tools accelerating innovation, broadening participation, and driving system-wide efficiency. This will accelerate digitalisation across the energy sector by enabling data access, interoperability, innovation and driving collaboration across the sector.

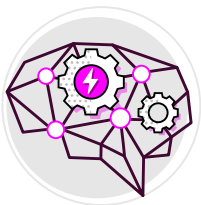
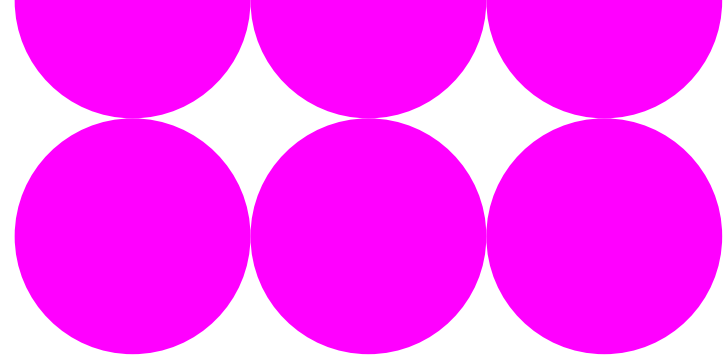


Planning a Clean Energy Future

26/28 Performance Objective

NESO will shape the future of energy by defining the energy infrastructure requirements across GB that reflect societal and community values, safeguard the environment, maintain system resilience and ensure consumer benefits are realised. This will guide the transition to a clean, affordable and secure energy for GB by delivering first-of-a-kind whole energy strategic planning. The plans will reflect diverse perspectives by fostering inclusive engagement with stakeholders, with critical capabilities and tools embedded.

How we measure success <i>Success Measures</i>	Endorsement of the plans by the established governance	# and % of SEP datasets published	Participation and representation across societal, environmental, geospatial and advisory groups
	Customer trust index measure		
Objective Breakdown	Deliver the first-of-a-kind whole-energy strategic planning to guide the transition to a clean, affordable and secure energy for Great Britain	Develop and embed the critical capabilities and tools required to deliver	Foster inclusive engagement with stakeholder to ensure the plans reflect diverse perspectives
What we will deliver <i>Major Deliverables</i>	Deliver the Strategic Spatial Energy Plan (SSEP) TBC	Finalise the establishment of the regional people capabilities required to deliver the RESP Nov 26	Establish regional external Governance Boards through RESP Jul 26
	Deliver SSEP methodology [update / v2] (subject to Commission) TBC	Deliver the annual Operability Strategy Report Mar 27	Establish national SEP external governance framework Dec 26
	Deliver the tCSNP2 Refresh TBC	Build and develop our capabilities to undertake independent engineering assurance of energy networks Ongoing	Establish a dynamic stakeholder and societal engagement framework Ongoing
	Deliver the Centralised Strategic Network Plan (CSNP) TBC	Adopt digital-first capabilities to support the production of our strategic energy plans DDT Annex	
	Deliver first Regional Energy Strategic Plans (11x RESP) TBC	Progress delivery of Distributed Energy Resources visibility product roadmap TBC	



Operating an Intelligent, Real-Time Grid

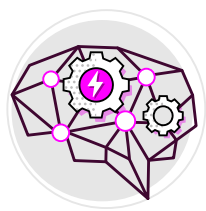
26/28 Performance Objective

NESO will operate a flexible, and increasingly intelligent, electricity system, optimising transparent real-time decision-making and ensuring ongoing resilience of the energy system. Enhanced operational decision-making will be enabled through data, automation and future-

ready digital tools. Operational capability will be transformed by maximising the benefit of digitalisation and ensuring the correct skillsets and processes are in place to manage increasing variability and complexity of the GB Power System.

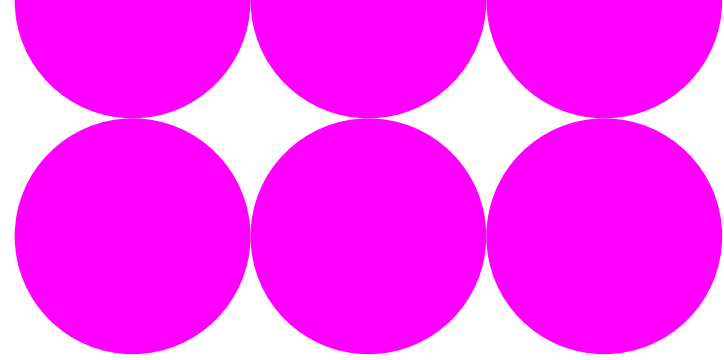
How we measure success <i>Success Measures</i>	Carbon intensity of NESO actions	Forecasting accuracy
	Zero carbon operability	On-boarding time of market participants to engage with the balancing mechanism
	System availability and reliability	Customer trust index
	Dispatch efficiencies (skip rates)	System management and disturbances (frequency, voltage, inertia)





Operating an Intelligent, Real-Time Grid Continued

Objective Breakdown	Continued digitalisation of real time operations through the integration of new and enhanced operational tools, digitalisation through data and automation, to optimise operational decision-making for clean power and customer responsiveness	Transforming real time operational capability to maximise benefit of digitalisation of the energy sector and ensure correct skillsets and processes are in place to manage operational risk and optimise balancing costs
What we will deliver <i>Major Deliverables</i>	Transform electricity Operations to enable CP30 and increase consumer and small asset flexibility while ensuring continuity of secure and efficient operations Mar 2028	Transform operational capabilities to enable CP30 and deliver enhanced system access and connections services, including delivery through the constraint collaboration project and system access reform (SAR) Apr 2027
	Operationalise NCMS and OBP, leveraging enhanced situational awareness and capabilities to drive cost and dispatch efficiency Mar 2028	Embed functional changes to our operating model and ways of working, enabling our operational teams to optimise secure and efficient operation of the electricity system Sept 2026
	Complete the transition to a unified, modern balancing capability centred on the Open Balancing Platform (OBP) while maintaining safe and secure operation Mar 2027	Continue to optimise balancing costs and drive dispatch efficiency through initiatives such as the dispatch strategic review and by facilitating market access for small and flexible assets Ongoing
	Continuously enhance OBP to support regulatory compliance, improve control room functionality, increase transparency and deliver key market and network services Mar 2028	Accelerate the transformation of real-time operations by embedding advanced people capabilities and leveraging next-generation operational tools, driving measurable improvements in agility, decision-making, and system resilience Ongoing
	Embed new operational tools to monitor system stability and strength, and integrate into operational processes and support models Mar 2028	
	Maximise benefit of new data platforms and drive improvements to data quality Ongoing	
	Continue to enhance the customer experience and maintain delivery of improvements to operational transparency Ongoing	
	Fully embed new simulator environments and develop a strategy for future people capabilities Apr 2027	
	Enhance the digital capability to realised benefits of system access and transmission analysis reform Apr 2027	
	Transform our energy forecasting capability, in line with our published forecasting strategy, while building new forecasts and models as required to meet the ever-changing landscape Mar 2028	

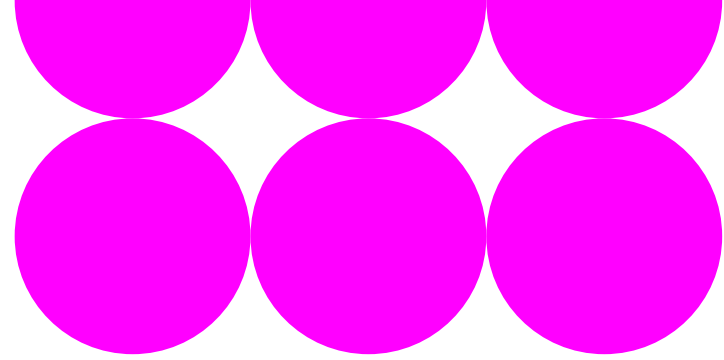


Enabling Smarter, Cleaner Markets

26/28 Performance Objective

NESO will evolve key market frameworks to enhance market signals, improve market access and make our data accessible. This will increase competition, reduce supply and price risks, support flexibility and innovation, and enable efficient market participation of new technologies and distributed resources.

How we measure success <i>Success Measures</i>	Balancing Services consumer benefits (£m) from new and existing services	Efficiency and effectiveness of NESO Markets	Effective Code administration
	Growth of demand side participation in NESO markets	Adoption rate and participation of existing and new products and services	Effective markets whole system coordination
	Customer trust index		
Objective Breakdown	Enhanced whole energy system market signals and coordination to enable efficient participation by new technologies and distributed resources	Market frameworks evolved to support decarbonisation, flexibility, innovation and consumer value	Competitive, accessible markets designed and operated to minimise supply and price risks for consumers
What we will deliver <i>Major Deliverables</i>	Implement changes from ‘Enabling Demand Side Flex’ programme and Clean Flexibility Roadmap Mar 28	Progress implementation of Reformed National Pricing, including changes to balancing and constraints Mar 28	Support DESNZ in the development and implementation of the Hydrogen Code Mar 28
	Develop our digital infrastructure to enable market outcomes/access (inc. digital platforms and data) Mar 28	Support DESNZ and Ofgem by advising on the role of TNUoS and connection charges within RNP, as well as advise on detailed design options Mar 28	Develop balancing services to meet clean power system needs in line with the Markets Roadmap Mar 28
	Publish and develop in collaboration with industry our Gas Future Markets Plan which will facilitate the transition of the gas market to a decarbonised energy system Mar 28	Alongside DESNZ and Ofgem deliver CM & CfD reform for a Clean Power system Mar 28	Operate procurement mechanisms (auctions, network services, CM & CfD delivery body) to ensure real time system requirements are met Mar 28
		Progress hydrogen and CCUS integration into market frameworks Mar 28	Increase of demand side participation in NESO markets through delivery of the Routes to Market project Mar 28
		Be a trusted expert on Gas Code and progress modifications to drive change aligned to decarbonisation Mar 28	Implement a “Demand for Constraints” service, intended to incentivise flexible demand in constrained areas Aug 26
		Support the development of frameworks across RNP, Connections, Cross-border, Flexibility, DSO Mar 28	
		Engage with stakeholders to support the facilitation and implementation of optimal outcomes on Energy Code Reform Mar 28	



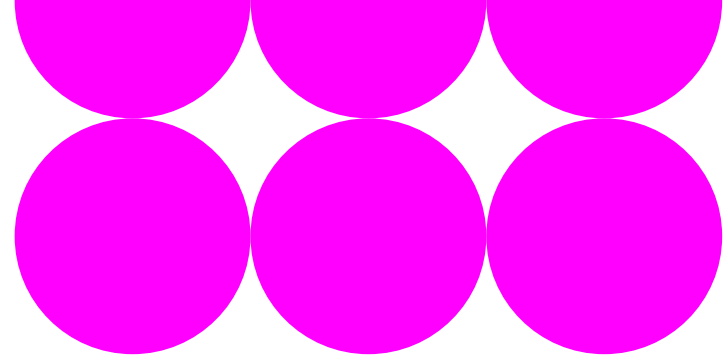
Driving Whole-System Resilience

26/28 Performance Objective

NESO will drive improvements in whole energy system security and resilience by being the catalyst for coordinated and prioritised action across the system to address risks. We will deliver clear insights and advice to our stakeholders through robust analysis, systematic,

and topical assessments, reviews, emergency exercises, and plans –grounded in an evolving understanding of system risks and interdependencies. This cycle of continuous learning, assessment, and action will reinforce NESO’s position as a trusted technical authority and enhance system resilience.

How we measure success	Assessments of priority resilience topics and risks delivered in a timely manner and to scope and quality	Timely delivery of and successful adherence to our obligations under the Electricity System Restoration Standard	
	Licensed reports delivered on time and to scope and quality	Customer trust index	
Objective Breakdown	Building understanding of energy system & risks to pull insight from and enable stakeholders (gov and industry) to make decisions aware of complex system interactions and interdependencies	Produce systematic and robust energy system resilience assessments, reviews, insights and plans to drive prioritised action for NESO and our stakeholders (gov and industry)	Leveraging our role as a trusted technical authority to drive and enable improvements in whole energy system resilience
What we will deliver	Identify vulnerabilities (incl. via system mapping and complex risk modelling) Ongoing	Produce annual Whole Energy System Resilience & Risk assessments Jun 26 & Jul 27	Dynamic risk escalation and reporting to government/ stakeholders ongoing
	Develop and maintain Whole Energy System Risk Encyclopaedia Ongoing	Conduct national security of supply assessments incl. Elec (every 1 – 2 years), Gas (annual) and Hydrogen (post '26)	Provide capacity market recommendations annual
	Develop and maintain Whole System Resilience & Risk Framework aligned with gov. strategy Mar 28	Review methodology and identify Critical National Infrastructure by gov request	Co-develop resilience improvements and risk mitigations with government and industry stakeholders ongoing
		Produce high-impact assessments on prioritised resilience topics and risk multiple times per anum	Coordinate and support emergency response exercises for NPOs and prioritised risks multiple times per anum
		Produce seasonal assessments: energy system readiness and the electricity Outlook Apr, Oct 26 & Apr, Oct 27	Deliver Electricity System Restoration Standard Dec 26
		Produce annual emergency response process assessments Dec 26, Dec 27	Support emergency response coordination and transparency ad hoc
		Undertake post-event and emergency reviews ad hoc	

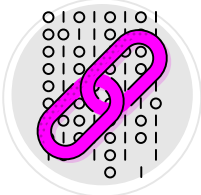
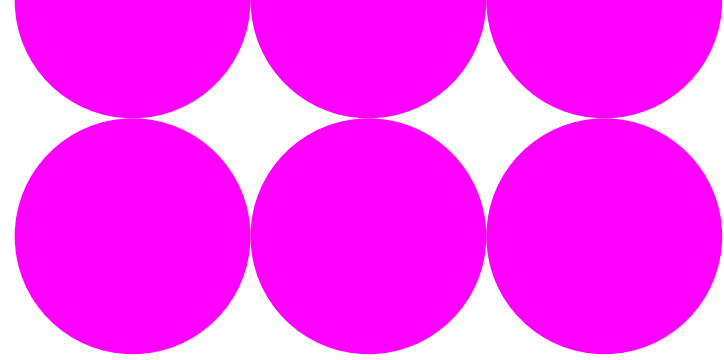


Delivering a Decarbonised, Operable Grid

26/28 Performance Objective

NESO will enable efficient connections and coordinated system standards, delivering a resilient, operable and decarbonised energy system whilst reducing barriers to entry. Reordering the connections queue will ensure timely and efficient network connections that support system growth and delivery of CP30. This will be underpinned by a reimagined and transparent enduring connections process, whilst maintaining coordinated operability standards across an increasingly complex, decentralised energy system.

How we measure success <i>Success Measures</i>	Acceleration of connections	% compliance rate of service terms	% of projects in the new connection queue strategically aligned with CP30
	Embedding lessons from previous connections windows	Customer Trust Index	Queue composition and size (connections tracking – capacity and technology types)
	New way of working under GC0139 Mod (model exchange) established with all DNOs	Connection platform use and experience	
Objective Breakdown	Managing the connections queue to ensure timely and efficient network connections to support system growth and delivery of clean energy integration (including CP30)	Maintain operability standards across a more complex, decentralised energy system	Champion a reimagined, transparent connections process that removes barriers, builds trust with Industry, and drives long-term growth
What we will deliver <i>Major Deliverables</i>	Conduct a comprehensive end-to-end review of User Grid Code compliance process to accelerate user integration into the system and enable proactive alignment between future system requirements and user accountability Mar 28	Fully embed operability assessments in network / system planning and connections Mar 27	Deliver a re-imagined, transparent customer connections journey aligned to SEP Mar 28
		Deliver a scalable, market-driven operability services suite that enhances grid flexibility, resilience, and cost-efficiency Mar 28	Launch shared digital platform for connections data to improve transparency of connections information Mar 28
	Deliver Operability Policy Reform to achieve strategic alignment between Operational Assessment and SEP Mar 28	Deliver Transmission Analysis Reform project and share the learning with the industry Mar 28	Facilitate progress through the end-to-end connections process of existing customers and enable new customer's entry and accelerate the integration into the system Mar 28
	Deliver national strategic demand project Mar 28	Enhance balancing service performance monitoring through real-time data analytics and actionable insights to drive system reliability and provider's accountability Mar 28	Enhance data and modelling sharing with DSOs and stakeholders Mar 28



Building a Digitally Connected Energy System

26/28 Performance Objective

NESO will enable a digitally connected energy system through open data, smart standards, AI and interoperable tools—accelerating innovation, broadening participation, and driving system-wide efficiency. This will accelerate digitalisation across the energy sector, champion open data and foster a digital ecosystem that unlocks value and drives collaboration.

How we measure success <i>Success Measures</i>	# of industry activities supported by the DSI	Reduced number of customer interfaces	# active users of NESO open data portal
	# of industry participants adopting DSI	Reduced number of manual data intake from industry participants	New datasets published / updated
	# of regulated networks onboarded onto DSI within RIIO-3	Customer trust index	
Objective Breakdown	Accelerating digitalisation across the energy sector by enabling data access, interoperability, and innovation	Fostering a digital ecosystem that supports system efficiency, consumer participation, and new business models	Championing open data and digital standards to unlock value and drive collaboration across the sector
What we will deliver <i>Major Deliverables</i>	Lead on establishing the need for Digitalisation Orchestrator. Sep 28	Coordinate digital interfaces to enable improved customer experience. Mar 28	We will review with industry the priority whole energy system data standards, ontologies and taxonomies. Mar 28
		Co-create with Industry the requirements and definition of major customer interfaces and data interactions. Mar 28	We will continue to improve the value of the Open Data Portal by increasing the availability of shareable energy data. Mar 28
	Define and operate the DSI as a service through the MVP trials. Mar 28		We will increase distributed energy resources (DER) visibility through improved registration, onboarding and forecasting. Mar 28
	Onboard all regulated networks onto DSI within RIIO3. Mar 28		

NESO1 Enduring Costs and Investment Envelope

Our approach to developing NESO's cost envelope

A robust and transparent **cost envelope** is fundamental to a credible and strategically aligned business plan. It establishes clear financial boundaries within which NESO can explore, refine and govern delivery options. Ensuring that all decisions are made with a full understanding of the affordability, risk, and strategic fit.

The NESO 1 cost envelope defines the upper limit of anticipated expenditure required to deliver the intended impacts and benefits. It provides a financial boundary within which delivery options can be explored, trade-offs assessed, and value-for-money demonstrated.

It is not a final budget, but a strategic planning tool that supports:

- Early-stage appraisal
- Prioritisation
- Risk and contingency planning
- Stakeholder alignment and funding

Development Process

The cost envelope is developed through a structured, iterative process starting with a top-down strategic framing.

The key steps include:

- 1. Defining the Scope and Strategic Objectives:**
NESO's corporate strategy sets out the direction for the next 5 years clarifying intended outcomes and identifying key cost drivers (e.g. technology, infrastructure, people, third-party services) in line with strategic priorities and constraints (e.g. net zero, regulatory compliance, digital transformation).
- 2. Establishing Baseline Assumptions:**
NESO1 builds upon established baselines from previous plans and the transition for ESO to NESO using standardised costing, expert judgment and incorporating known uncertainties e.g. Reform National Pricing.
- 3. Setting Operational Efficiency targets:**
Efficiency targets are embedded to drive continuous improvement and ensure that NESO delivers maximum value for consumers.

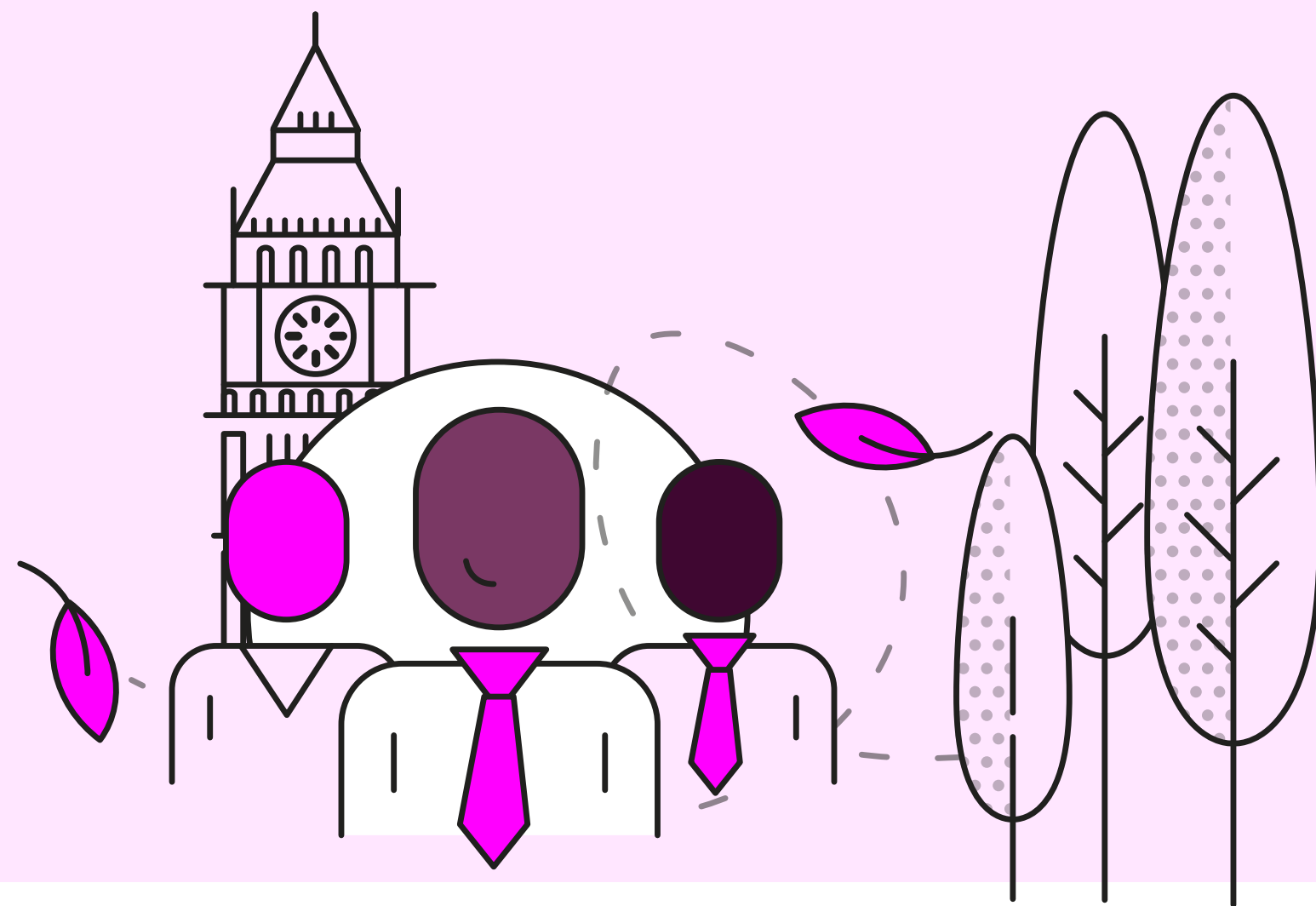


Governance and Assurance

To ensure credibility and alignment, the cost envelope is subject to appropriate governance:

- **Review and Challenge:** Finance and delivery leads; with challenge from senior management including the Executive Committee and the Board.
- **Version Control:** The envelope is maintained as a living document, updated as scope and design evolve.
- **Decision Gates:** The envelope informs decisions at key stage gates including Sanctioning Committee, Portfolio Review Board, Operating Committee, Executive Committee and the Board.

This governance structure ensures that the cost envelope remains relevant, proportionate and aligned with NESO's long term strategy and stakeholder expectations.

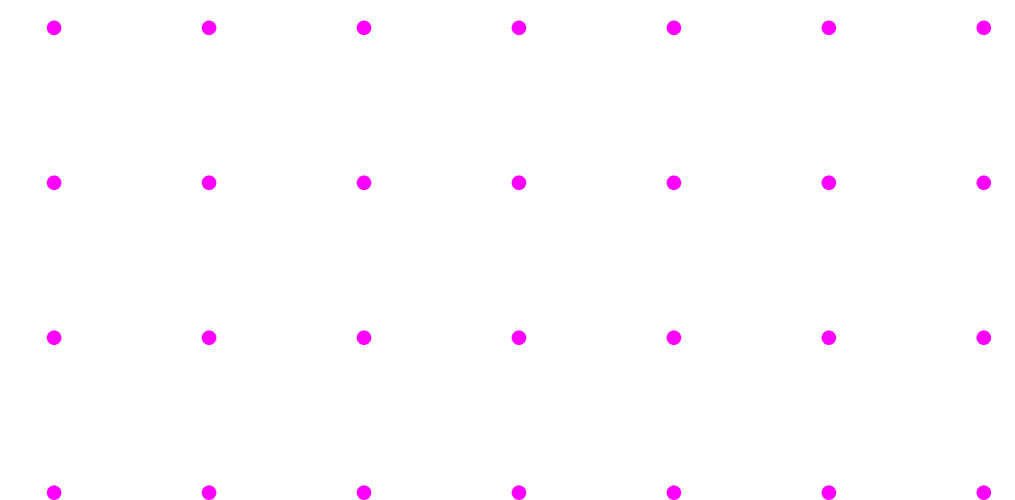


Our Board and Committees

The NESO Board has overall responsibility for setting NESO's strategy and purpose, approving its corporate and regulatory business plans, and ensuring that robust and effective risk management, internal controls and legal and regulatory compliance measures are in place. At the meeting of the Board it reviews key performance materials including, but not limited to risk, financial and business plan updates.

The Board discharges its duties both directly and through authority it has delegated to its four Principal Board Committees, the Executive Directors and the Executive Leadership Team. The Board is responsible for supporting its Committees and ensuring that sufficient resources are in place to carry out their responsibilities.

Each Board Committee is chaired by a Non-Executive Director, who reports to the Board on key matters discussed, actions taken and any recommendations arising from the Committee's meetings. Urgent matters are escalated to the Board by the Committee Chair as appropriate. The terms of reference for each of the Board Committees are available by visiting Corporate information on our website. The Board reviews the effectiveness and terms of reference of its Committees regularly, in line with best practice.



Our Ex-Ante Assessment

An ex-ante assessment is a critical component of public value decision-making, undertaken before resources are committed to a plan. In line with the HM Treasury Green Book. This assessment ensures that decisions are based on a clear understanding of the strategic context, expected outcomes, economic rationale, and value for money.

The cost envelope plays a central role in supporting the ex-ante assessment by providing a structured financial boundary within which delivery options can be explored and evaluated. It enables a disciplined approach to planning that balances ambition with affordability and ensures that financial risks are understood and managed from the outset.

NESOs ex-ante assessment is underpinned by:

- Robust Governance: ensuring the proposals are strategically aligned, clear in outcomes and success, are fundable and represent value and meet the risk appetite of the Board.
- Subject matter expertise: across Drawing on technical, commercial, operation and financial skill sets. To validate assumptions, quantify resource requirements, assess outcomes and benefits and identify risks and dependencies.

- Holistic Appraisal: Rather than appraising every activity in isolation, we have considered the aggregate benefits that NESO's roles as a whole deliver relative to the costs of fulfilling them.

In applying this methodology, we have ensured that NESO's activities remain appropriate, proportionate, and robust in the value they provide, drawing on established evidence such as previous business plans, stakeholder engagement and regulatory learnings. Where possible, benefits are quantified and monetised at the role level, with qualitative narrative provided for non-monetisable impacts.

The business plan does not represent a business case for change or investment. NESO deploys a robust governance process in the execution of the plan that enables the appropriate allocation of and optimisation of resources depending on the evolving nature of demand on its services.

NESO1 Cost Projections and Drivers of Change

	BP3	NESO1	
£m	FY26	FY27	FY28
RTB	398	463	472
Investments	265	328	291
Sub Total	664	791	762
Efficiencies	–	(29)	(29)
Total	664	762	733

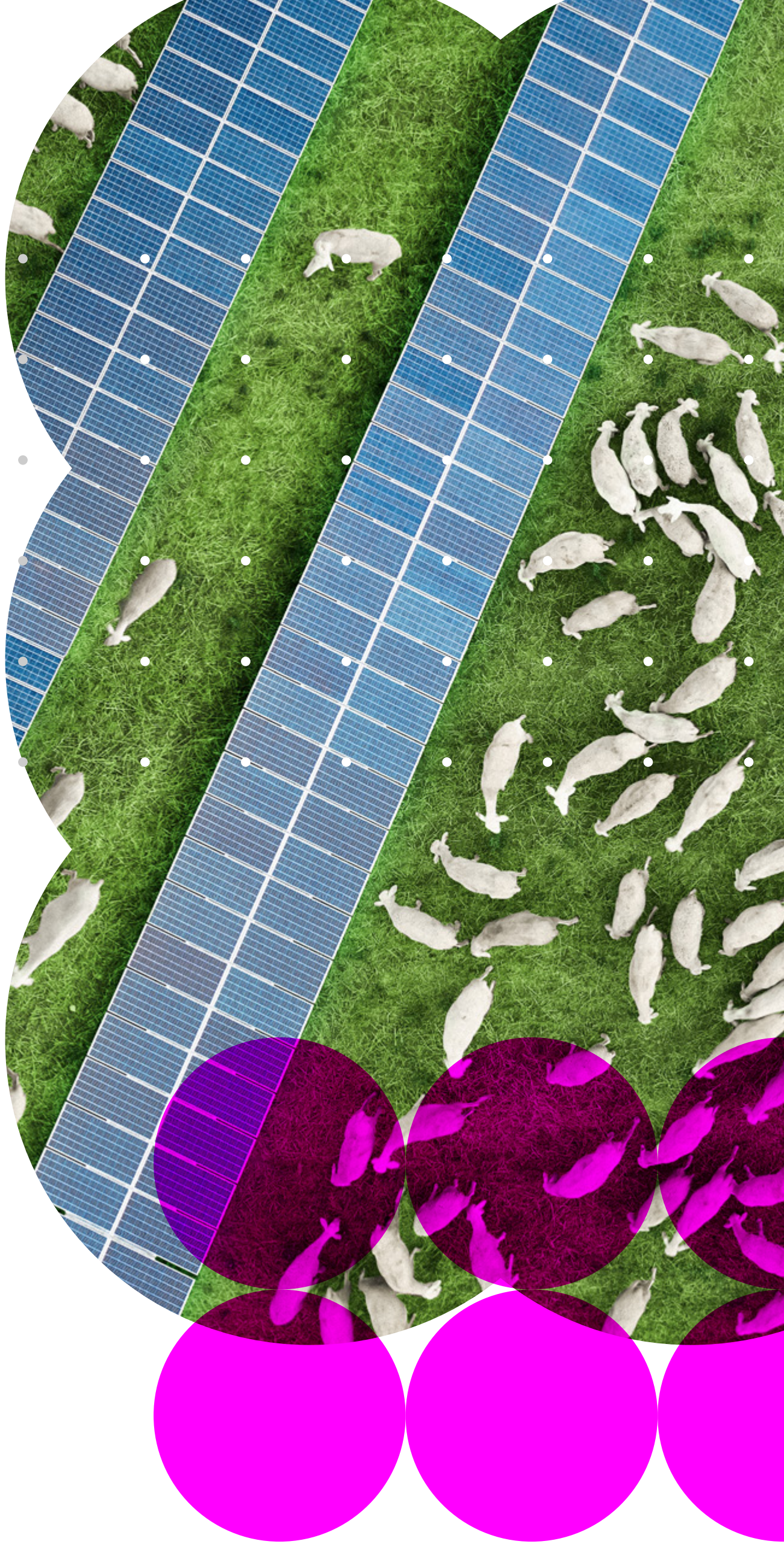
The cost projections set out in the table above represent the total forecast cost for NESO1 versus that of the previous plan. Further detail of the NESO1 cost base is contained in the Role level annexes and data tables.

Set out below are the key drivers of change for the increase in the cost base from the previous plan, noting the following exclusions:

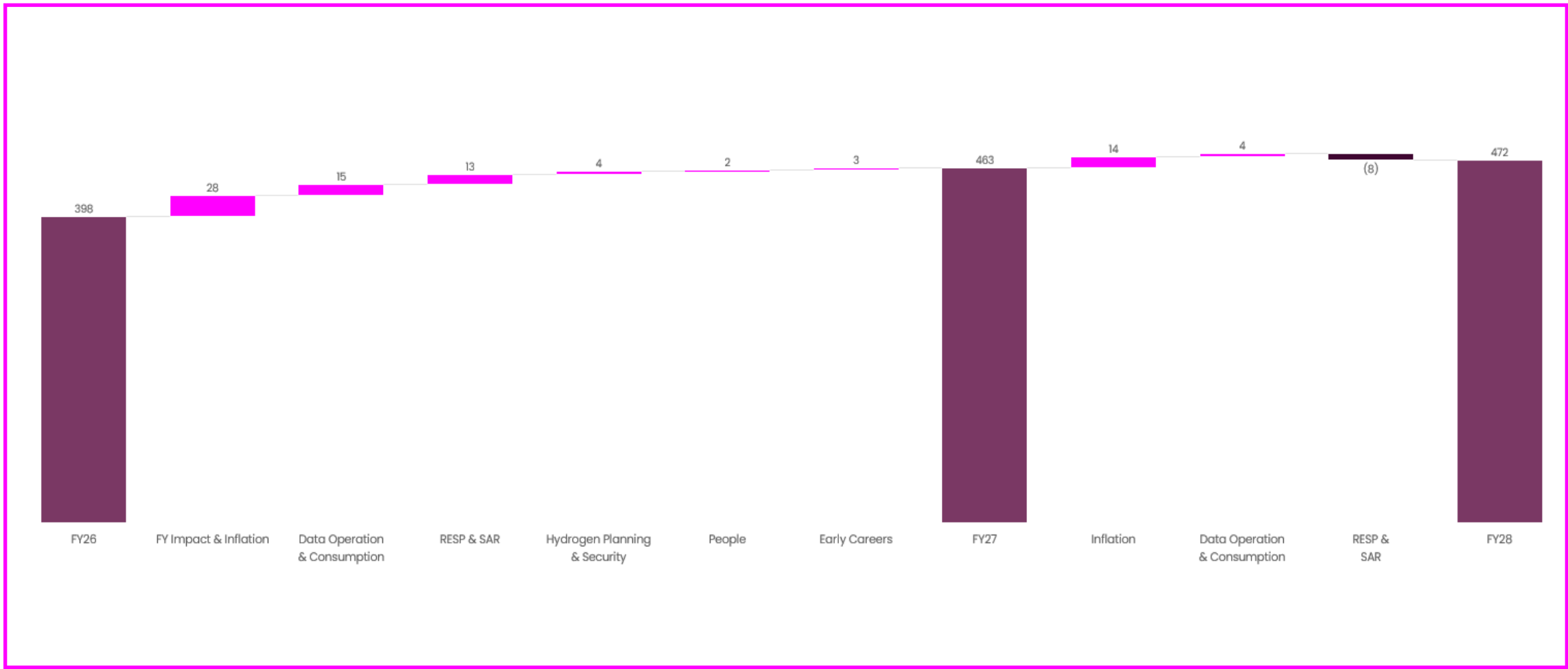
- At the time of writing this plan NESO is undertaking a detailed assessment of its property estate to ensure its compliance with relevant standards and to address immediate business requirements. The detailed assessment will provide a view on the long-term NESO property strategy, which is due at the end of FY26.

•	•	•	•	•	•	•	•	•	•	•
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- Impact of Reformed National Pricing (RNP): At the time of writing NESO1 the impact of RNP is uncertain, but it is acknowledged that within the timeframe of NESO1 there will need to be significant work done in implementing any proposed reforms, including extensive engagement with industry. The final reform package is expected to be decided in FY27, at which time implementation will begin. Therefore, by the end of FY28, implementation of these various reforms should be well underway.
- Contingency control centre: at the time of writing NESO1 the detailed design of this programme of work is yet to conclude. Until such time that the impact is more certain we have excluded it from our cost projections.
- Regulatory change: where the demand profile of this change driver is uncertain, we have not included any allowance for its impact.



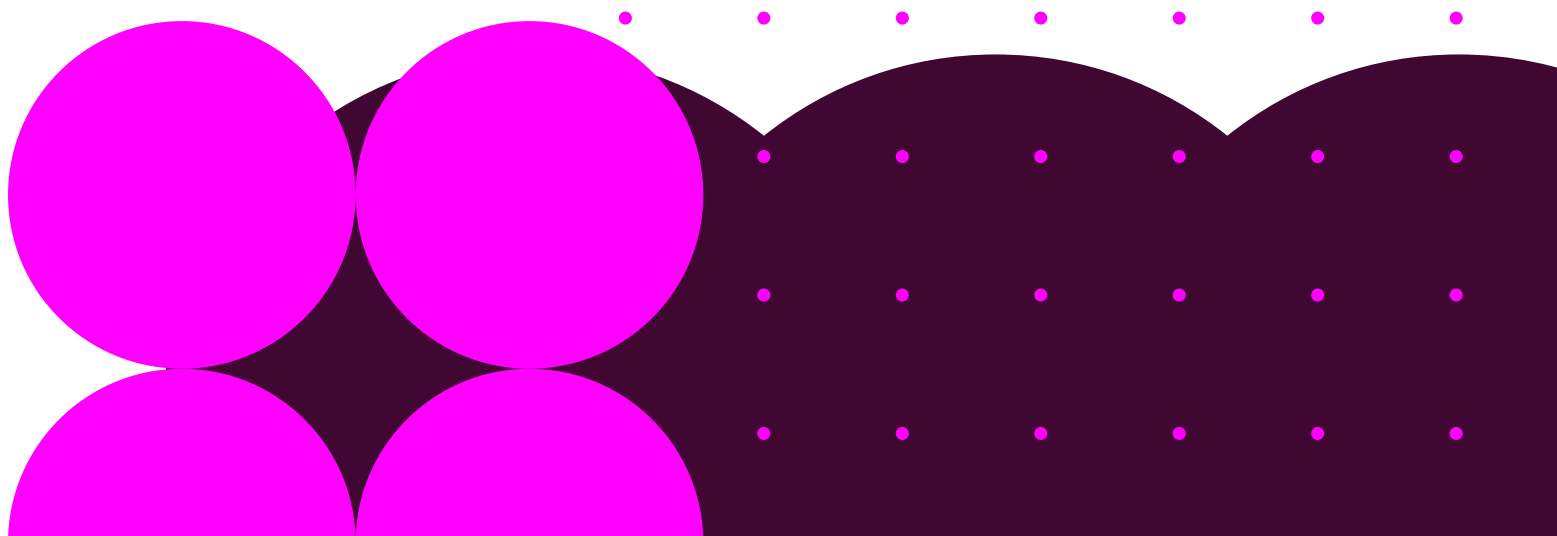
Key Drivers of Change: Run the Business cost



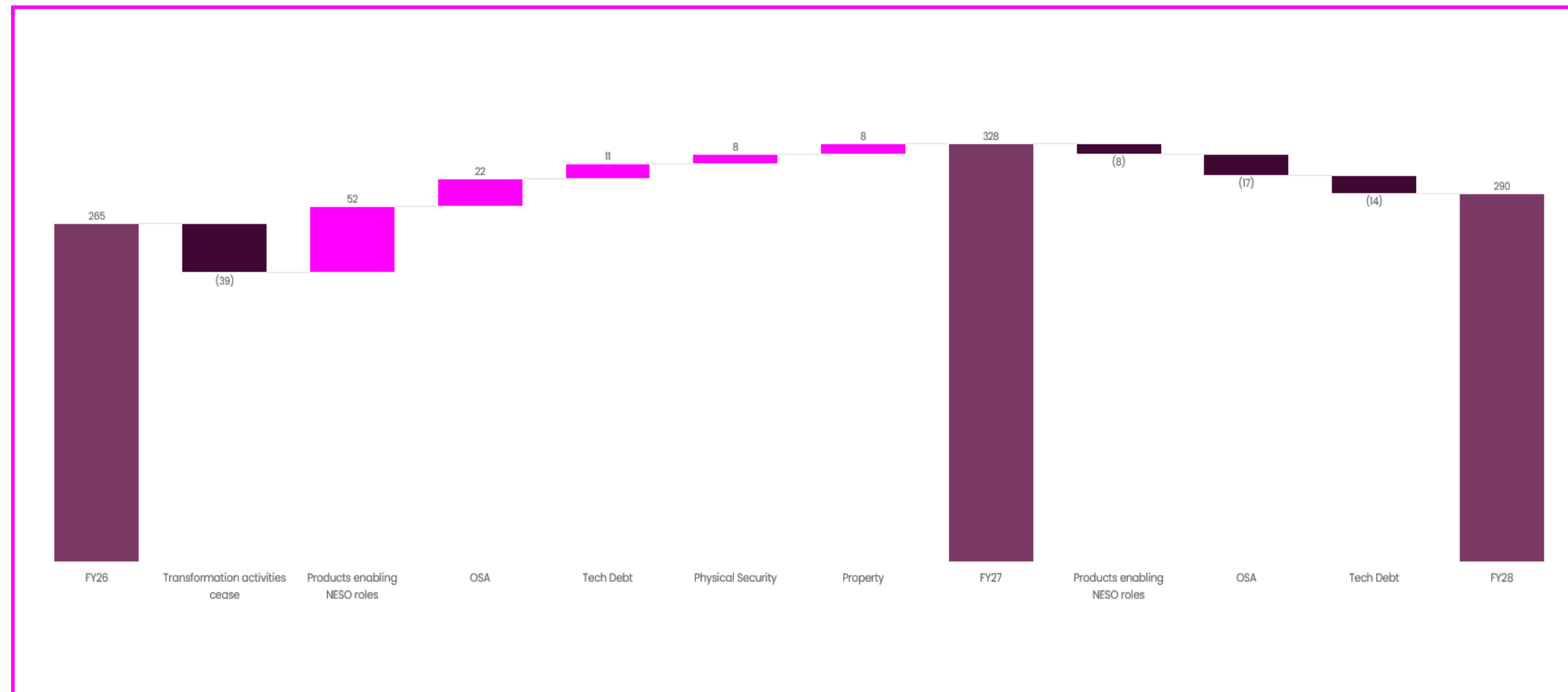
The transition from ESO to NESO has resulted in significant growth in the cost of the organisation that has continued through FY26. This has formed the basis of the RTB cost projection. The increase in cost from FY26 to FY27 is therefore driven primarily by the full year impact of the growth in FY26 which included an increase of c.400 FTE, primarily related to planned implementation of NESOs new roles. The following provides a summary of the changes over the NESO1 period to FY28.

- The **full year impact & inflation of the growth** in FTE is £24m. We set out further details of our efficiency programme below.
- As NESO continues its transition to a cloud-based, data-centric, AI-enabled organisation, the **change in digital, data and technology operating model** has an impact of £15m in data operations and consumption of cloud-based services.

- The **implementation of RESP continues into FY27** as NESO embeds its regional operating base. The increase of 45 FTE combined with consultancy results in a £8m increase in FY27. In FY28 we anticipate reaching our enduring operating position which sees the reduction in the need for third party capability support that was required during the rapid mobilisation of the role.
- The delivery of **System Access Reform (SAR)** forecasts a £5m increase in RTB in FY27 to support the significant industry change. In FY28 the need for business change support reduces.
- As set out in the NESO Corporate Strategy, NESO expects to adopt and implement the activities of **hydrogen strategic planner and security** in FY27 at a cost of £4m. This supports the recruitment of capacity and capability to implement the activities noting NESO is committed to fully leveraging possible resources across the existing business areas such as planning and resilience.
- As NESO continues to embed its new operating model it will **invest in its leadership, capability, and career pathways**, ensuring NESO remains an attractive opportunity to existing and future colleagues at a cost of £2m in FY27. This will support the design and implementation of effective training, development programmes and career pathways, enabling retention of key skills and capabilities.
- A core part of the NESO employee proposition is the attraction and retention of **Early Career candidates**. NESO is forecasting an additional 50 early careers roles in FY27 to manage key skills and be an incubator of skill and capability development for the wider energy industry. At a cost of £3m this is an important component of NESOs mitigation strategy against a skill and capability risk.



Key Drivers of Change: Investments

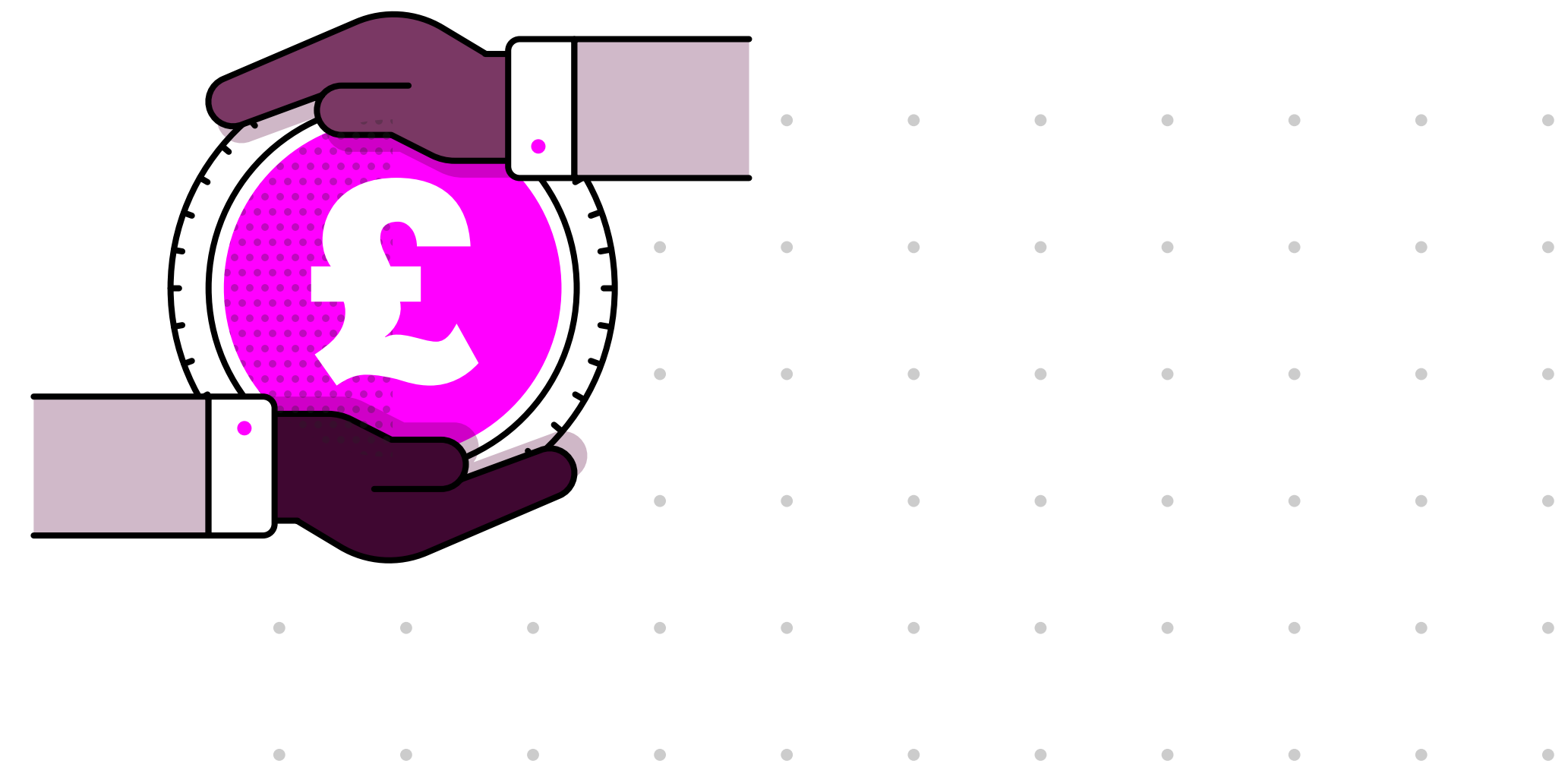


FY27 represents NESO's first full financial year as an independent entity with separation from the transitional services agreement with National Grid, including the delivery of separated finance, procurement and HR systems. Further details on the specific investments being made in support of the successful delivery of Performance Objectives and Strategic Goals is contained in the Digital, Data and Technology annex. The anticipated costs and savings are:

- (£39m) **Transformation activities cease** having delivered the Day 2 transition programme providing standalone finance, procurement and HR platforms.
- £52m of investment in **products enabling NESO Roles**. NESO is investing technology in direct service of our roles and activities. We are ensuring a digital first approach that is supported by robust data enhanced by AI leveraging the historic investment to scale existing platforms.
- £22m **longer term exit plans** from National Grid systems weren't available in FY26 – NESO has now established those exist plans, working with National Grid, covering CNI network,

Optel, Meter Operation Agreement (MOA) as well as contingency and evacuation plans – As we continue to separate this reduces by c. £6m in FY28.

- £11m **Tech Debt** – **driven by scale and volume of transition** of platforms. NESO rapid delivery and implementation inevitably requires an approach that results in a level of technical debt that needs to be addressed post implementation. Not addressing this represents a security risk outside of NESOs tolerance. This investment reduces as the debt is addressed.
- £8m **Physical Security** investments upgrading of physical security assets in Wokingham and Reading. NESO Wokingham and Reading estate requires investment in its physical security assets to maintain appropriate service levels in line with standards.
- £8m **Property** investment in NESO building a regional presence under the delivery of RESP. The investment will ensure that NESO maintains an effective presence enabling efficient delivery of the RESP activities whilst also ensuring an appropriate working environment is provided for its regionally located employees.



Financial and Performance Management

Aligning the cost envelope approach with ex-post financial and performance management ensures continuity between planning and delivery, reinforcing accountability for outcomes and value for money.

Resource allocation via Budget setting

While the plan sets out what NESO aims to achieve and how it will get there over the next two years, the internal budgeting process is focused on allocating the resources needed to support that journey. It outlines how much funding will be spent, where, and when over the next 12 months. The plan defines the overall financial envelope, while the budget distributes that envelope across the organisation to ensure optimal resource allocation aligned with NESO's strategic outcomes.

As part of this process, it is important to reflect on the current maturity of our organisation. This maturity level influences our ability to differentiate between investments that drive growth and those that enhance efficiency. Recognising where we are on this journey helps us better understand the challenges we face in balancing uncertainty with operational discipline, and ensures that our resource allocation decisions are both realistic and strategically sound.

This approach enables us to allocate resources effectively, reflecting the scope and complexity of our current and future portfolio. It ensures each capability area is sufficiently

resourced to deliver high-quality outcomes, while maintaining a lean and cost-effective structure. The framework also supports agility—allowing us to respond to emerging priorities and sustain momentum in delivering transmission competition at pace.

The budget setting process is a structured exercise that follows directly from the business planning process. Together, these processes form the core of a coherent framework for aligning strategic intent with resource allocation across the organisation, enabling the agility and flexibility of NESO to respond to the changing demands on the business.

It is important to note that neither the business plan nor the budget represent formal approvals to spend. Instead, they serve as expressions of intent—providing a forward-looking view of priorities, expected activities, and the resources required to deliver them. The budget translates strategic objectives into financial terms, enabling informed decision-making, prioritisation, and performance tracking.

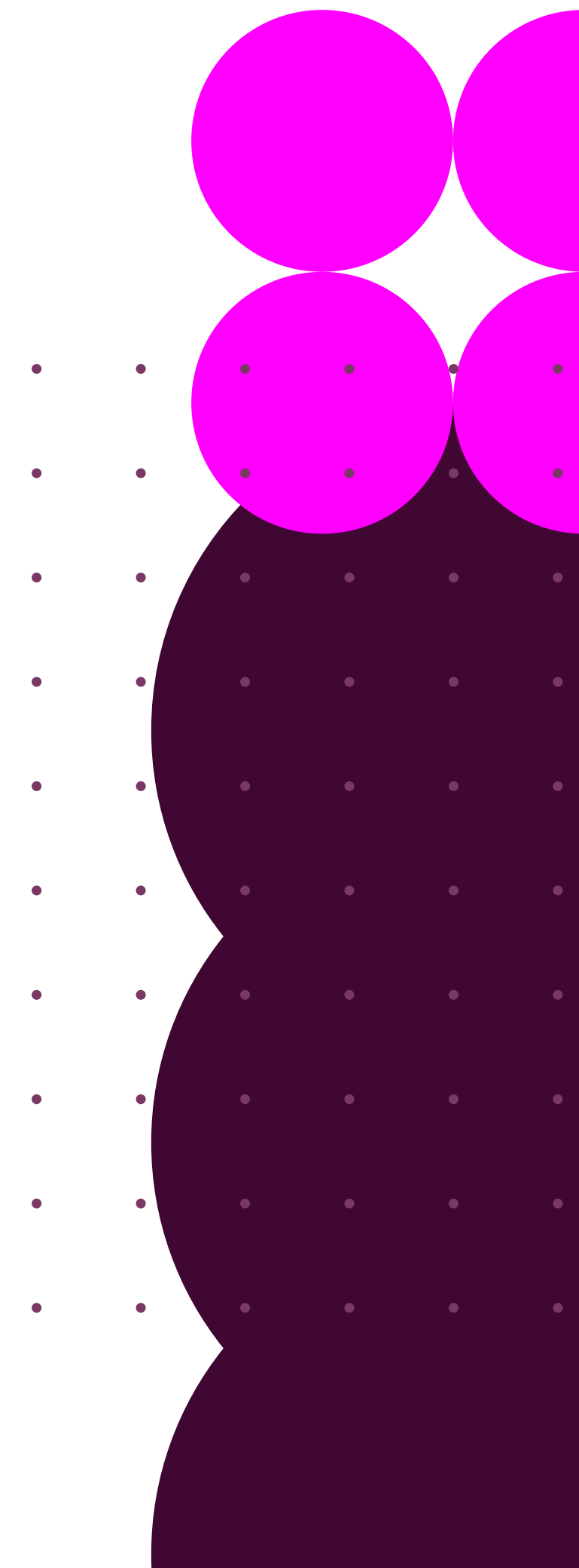
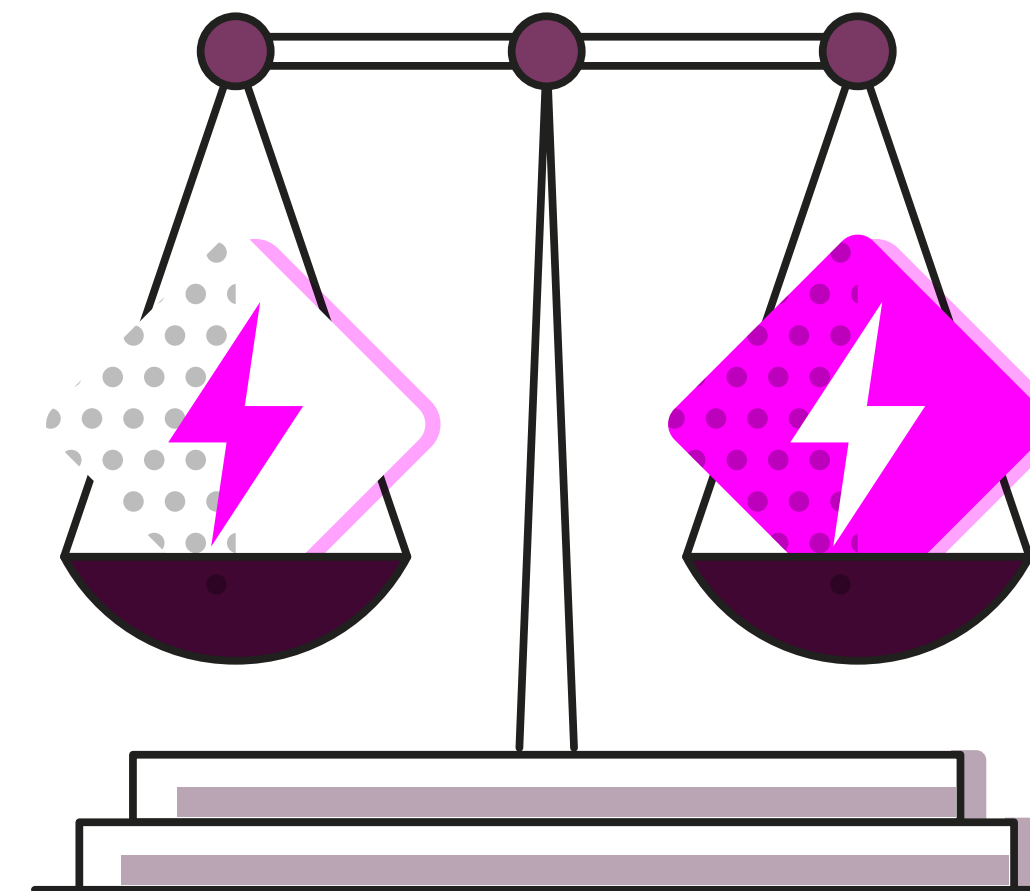
This process ensures that resources are allocated in line with organisational goals, while maintaining flexibility to respond to changing circumstances. Formal approval to spend is governed by separate financial controls and governance mechanisms.



Financial controls and governance mechanisms

To ensure that budgeted intent does not equate to automatic approval to spend, the following financial controls and governance mechanisms are in place:

- **Delegated Financial Authority (DFA):** Spending approvals are governed by a clear scheme of delegation. Individuals may only authorise expenditure within their approved limits and in accordance with their role. All expenditure must align with approved business cases or procurement routes.
- **Business Case and Investment Appraisal:** Any material spend (capital or operational) requires a formal business case. Business cases are assessed for strategic alignment, value for money, affordability, and risk. Approval thresholds vary by spend category and value, with escalation to senior governance bodies as required.
- **Procurement and Contracting Controls:** All procurement must follow established procedures to ensure compliance, fairness, and value. Contracts are subject to appropriate legal and commercial review before commitment. Frameworks and preferred supplier lists are used where applicable.
- **In-Year Budget Management:** Budget holders are accountable for monitoring and managing their budgets. Variances are tracked monthly, with corrective actions required for material deviations. Reforecasts are conducted periodically to maintain financial discipline.
- **Governance and Oversight:** Regular reporting to Executive and Board-level committees ensures transparency and accountability. Internal audit and assurance functions provide independent review of financial controls. Risk and performance are monitored alongside financials to ensure holistic oversight.
- **Change Control:** Any significant deviation from the approved budget (e.g. scope changes, cost increases) must go through a formal change control process. This includes re-approval where necessary, based on updated information.



Performance management

Following the ex-ante assessment, performance management focuses on:

- Tracking delivery, evaluating outcomes
- Ensuring that the programme or initiative remains aligned with its original objectives and value for money expectations.
- Providing a baseline for transparent reporting and continuous improvement

The cost envelope serves as a key reference point for measuring performance. Enabling variance analysis, benefit tracking and value for money evaluation.

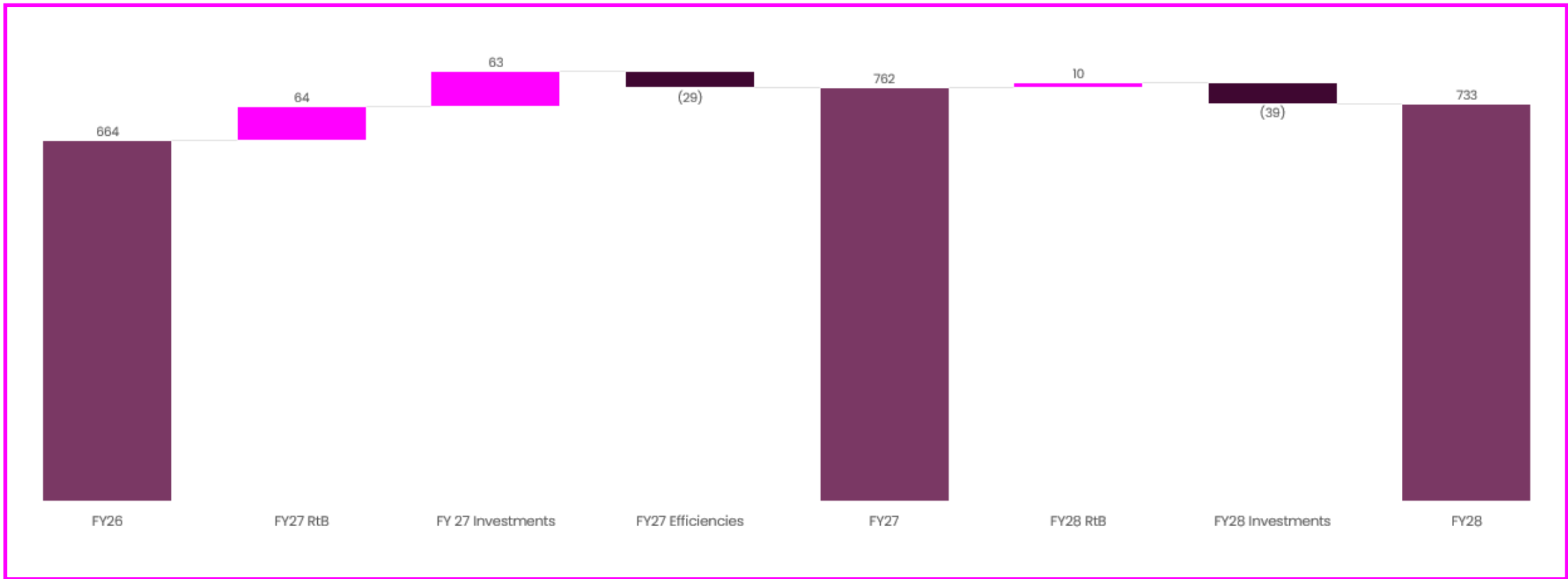
This alignment with HM Treasury Green Book and Magenta Book principles reinforces the credibility of the business plan and supports continuous improvement in planning and delivery.

Key Features include:

- **Financial Monitoring:** The envelope sets out the expected cost profile over time, enabling comparison with actual spend. Variance analysis can be conducted to understand deviations, identify cost pressures, and assess delivery efficiency.
- **Benefit Realisation:** The envelope is linked to the expected outputs and outcomes defined in the economic and strategic cases. This allows for assessment of whether the investment has delivered the intended public value within the agreed financial parameters.
- **Value for Money Evaluation:** Ex-post assessment compares actual economy, efficiency, and effectiveness against planned expectations. Lessons learned can be captured to inform future cost envelope development and investment planning.
- **Governance and Accountability:** The envelope provides a clear audit trail of financial assumptions and decisions. It supports programme boards and oversight bodies in holding delivery teams accountable for performance and spend.
- **Embed Quality and Manage Risk:** We uphold the highest standards by aligning our processes with internationally recognised frameworks. Applying robust controls and regular reviews to ensure our outputs are consistently high quality and trusted.
- **Adaptive Management:** Where delivery conditions change, the envelope can be used to assess the impact of scope adjustments or rephasing. This ensures that decisions remain grounded in financial realism and strategic intent.

By maintaining a strong link between the cost envelope and ex post-performance management, NESO can ensure that financial discipline and value for money are sustained throughout the lifecycle of the plan.

Efficiency in Action 2028

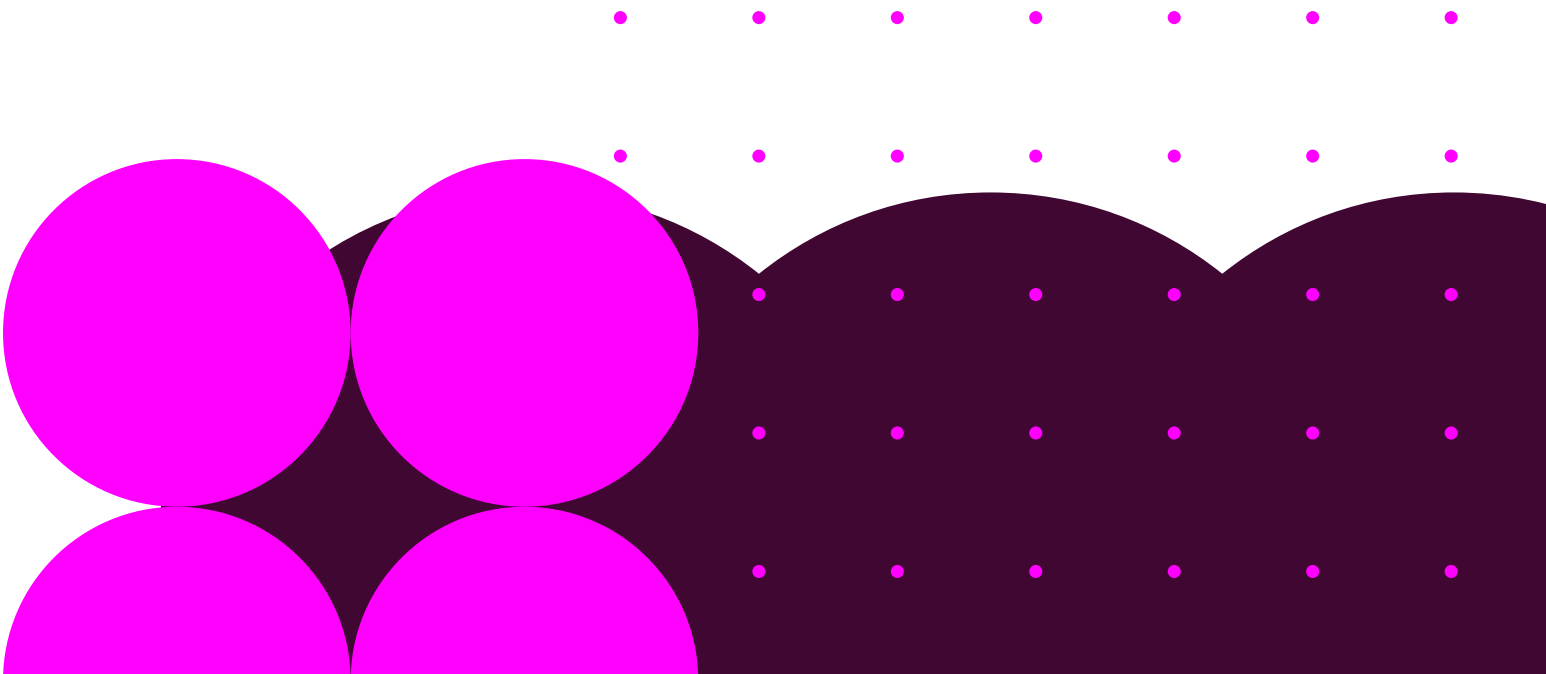


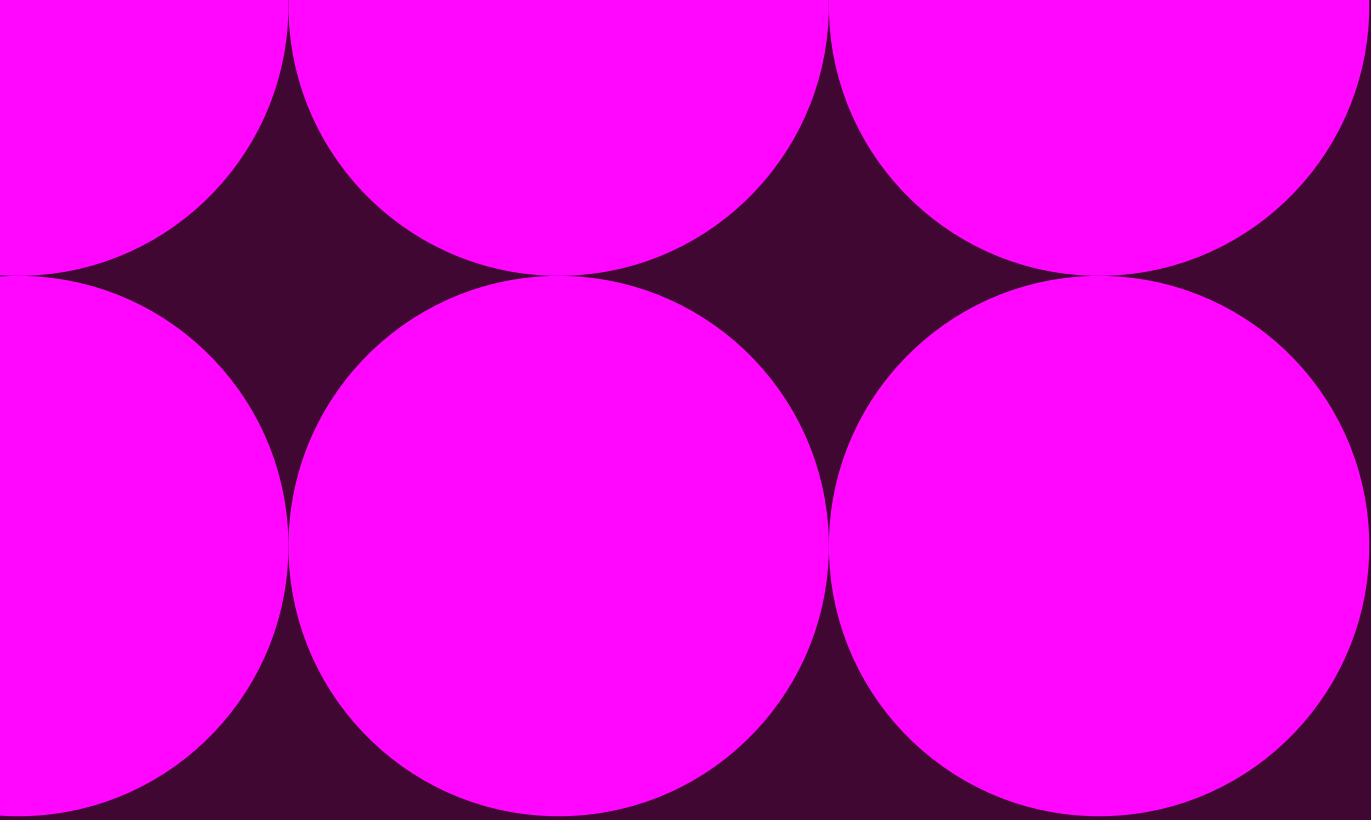
As NESO evolves rapidly to meet the demands of a changing energy landscape, the organisation faces a dual challenge: scaling up to deliver new roles and services, while ensuring resources are allocated optimally and operations are executed effectively. An efficiency programme is not simply about cost-cutting — it’s about enhancing value, improving service delivery, and building resilience for the future. Efficiency at NESO should be framed not as a constraint, but a key pillar of its value for money framework and a strategic enabler — helping the organisation do more with its resources, respond faster to change, and deliver better outcomes for the energy system and society. As NESO continues its rapid development the organisation must ensure that its growth is matched by operational discipline, resource optimisation, and service excellence.

The Efficiency Programme is designed to embed a culture of Value for Money across NESO, ensuring that resources are deployed where they deliver the greatest impact, processes are streamlined, and services are delivered with precision and agility. It will support NESO in:

- Scaling effectively to meet new responsibilities
- Optimising resource allocation across functions
- Improving productivity and service quality
- Demonstrating public value and accountability
- Building resilience and adaptability in a dynamic operating environment.

This programme will be governed through a cross-functional delivery model, underpinned by clear metrics, transparent reporting, and active engagement with internal and external stakeholders. It will be integrated into NESO’s broader strategic planning framework, ensuring alignment with corporate objectives and enabling the organisation to deliver trusted, expert leadership for the energy system.





NESO

National Energy
System Operator

