NESO RIIO-2 Business Plan 3 (2025-26)

# Incentives BP3 End-Scheme Report

## Evidence Chapters

May 2026

NESO
National Energy System Operator

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# Introduction

As part of the RIIO-2 price control, we published our third Business Plan (BP3) in January 2025. It sets out our delivery focus for the period April 2025 to March 2026 against eight Performance Objectives alongside additional requirements arising from Ofgem's Final Determinations. Each Performance Objective is underpinned by a set of Success Measures intended to represent the key deliverables or milestones which, if achieved, demonstrate progress towards the Performance Objective.

**Our BP3 Performance Objectives for 2025/26**

**WHOLE ENERGY**

### Strategic Whole Energy Plans

NESO will establish the capabilities, foundations and methodologies needed to deliver national and regional strategic whole energy plans.

### Enhanced Sector Digitalisation and Data Sharing

NESO will work with the sector to develop an aligned and interoperable digital ecosystem that enables industry digitalisation collaboration utilising innovation, underpinned by transparent data sharing and access.

### Fit-for-Purpose Markets

NESO will support the government in making informed decisions on policy and market reform across the whole system. We will also continue to reform our own markets to level the playing field and deliver value to consumers.

### Secure and Resilient Energy Systems

NESO will improve whole energy system emergency preparedness and resilience. We will ensure the necessary capabilities and requirements are in place and facilitate industry readiness to meet the Electricity System Restoration Standard.

### Separated NESO Systems, Processes and Services

NESO will transition remaining systems, processes and services from National Grid to NESO ownership to enhance our capabilities and establish our autonomy and full independence.

### Clean Power 2030 Implementation

NESO will play a pivotal role in securing clean power for Great Britain by 2030 on the path to net zero by 2050. Building on our 2024 advice to government on pathways to a clean, secure, operable and deliverable electricity system, we will move to action and implementation in line with the government's CP30 action plan.

**ELECTRICITY**

### Operating the Electricity System

NESO will transparently operate a safe, reliable and efficient system throughout BP3, while continuing to transform the capabilities of our people, processes and systems to enable secure zero-carbon operation of the system by the end of 2025.

### Connections Reform

NESO will drive delivery and implementation of a reformed connections process that enables projects needed for 2030 and beyond to connect in a timely and coordinated manner.

The NESO Performance Arrangements Governance Document (NESO PAGD) for BP3 was published by Ofgem in February 2025. This document sets out the process and criteria for assessing the performance of NESO, and the overarching reporting requirements which form part of the incentives scheme for the BP3 period. Further detailed reporting requirements are also set out in Ofgem's Final Determinations.

In this BP3 End-Scheme report, we provide evidence of our performance across the 12-month BP3 period against the following:

- Progress against Performance Objectives
- Value for Money
- Stakeholder Evidence

Please see our incentives website for more information on the scheme and to access our additional reports. You can also stay up to date with our latest news and events on the NESO website or by subscribing to our weekly newsletter.

NESO BP3 End-Scheme Incentives Report

# Performance Objectives

# Performance Objectives Summary

In this section we provide evidence of our performance for each of the eight Performance Objectives during the BP3 period.

The table below shows the final status of each Performance Objective at the end of BP3. This is followed by detailed evidence for each PO, including progress against the associated Success Measures and, where applicable, Ofgem's expectations from their Final Determinations.

| Performance Objective | End-Scheme Status |
|---|---|
| Strategic Whole Energy Plans |  |
| Enhanced Sector Digitalisation and Data Sharing |  |
| Fit-for-Purpose Markets |  |
| Secure and Resilient Energy Systems |  |
| Operating the Electricity System |  |
| Connections Reform |  |
| Clean Power 2030 Implementation |  |
| Separated NESO Systems, Processes and Services |  |

 Outcome achieved

 Outcome partly achieved

 Outcome not achieved

| Performance Objective | End-Scheme Status |
|---|---|
| **Strategic Whole Energy Plans**<br>We will establish our capabilities, and the foundations and methodologies to deliver national and regional strategic whole energy plans. |  |

End-Scheme position on delivering this Performance Objective outcome

During the BP3 period, we successfully established the capabilities, foundations and methodologies needed to deliver national and regional strategic whole-energy plans. Our work focused on putting in place robust planning frameworks, strengthening analytical capability, and embedding governance and engagement arrangements to support enduring whole-system planning across energy vectors and geographies.

We advanced the Strategic Spatial Energy Plan (SSEP) as a central mechanism for whole-system planning. The SSEP methodology was published in May 2025 following approval by the Secretary of State for Energy Security and Net Zero and Ofgem. This established the analytical approach, decision criteria and governance required for long term strategic planning, providing the basis for future pathway development and consultation. During BP3, updated energy generation cost data published by DESNZ required modelling to be rerun to ensure analysis and recommendations remain current and robust. This resulted in revised delivery timelines, with pathway options expected to be submitted to the Secretary of State in summer 2026 and consultation on the draft SSEP planned for early 2027.

In parallel, we progressed the Transitional Centralised Strategic Network Plan 2 (tCSNP2) refresh by receiving the required data inputs from Transmission Owners, undertaking strategic options appraisal, and establishing the governance and delivery arrangements to support publication beyond BP3.

We also established the foundations for whole-system network planning – covering gas, hydrogen and electricity - through the Centralised Strategic Network Plan (CSNP) methodology. The CSNP methodology was developed through extensive engagement with gas and electricity Transmission Owners and Ofgem, including formal public consultation in summer 2025. The methodology was submitted to Ofgem in January 2026 following an agreed revision to the timetable, marking completion of methodology development within BP3 and alignment with Ofgem guidance.

We have continued to develop and deliver gas transmission planning responsibilities, publishing the Gas Options Advice document (GOAD) in December 2025, as well as providing support to Ofgem during their review of National Gas Transmission's RIIO-3 Business Plan. We have also taken on board new responsibilities as the strategic planner for the expected hydrogen system, integrating hydrogen planning into the SSEP and CSNP, as well as establishing a new hydrogen and gas engineering skill-base.

We established the regional capabilities which are and will be supporting the development of the Regional Energy Strategic Plans (RESP) to support consistent regional whole energy strategic planning. The RESP methodology consultation was launched in November 2025 and supported by webinars and targeted engagement, including

participation from local authorities. The consultation closed in January 2026 and will be submitted for approval by Ofgem and DESNZ in summer 2026. We also delivered a transitional RESP (tRESP), used by Ofgem as an input into the Electricity Distribution 3 price control, publishing final outputs in January 2026 following a consultation in September 2025. This work will drive consistency in load related investment planning by electricity distribution networks in the upcoming price control.

Together, the SSEP, CSNP and RESP frameworks will establish a coherent strategic energy planning architecture, with defined roles, governance and analytical interfaces across national and regional levels. Taken together, this period represented a step change in strategic energy planning capability compared to prior arrangements, supporting more consistent, integrated and transparent whole system planning.

To underpin delivery, we established initial regional planning capability by building teams across all RESP nations and regions, each regional team reaching at least five FTE ahead of the December 2025 milestone. We convened quarterly Regional Forums from April 2025 onwards to support structured stakeholder engagement and feedback. Across all Strategic Whole Energy Plans (SWEP) activities, delivery was overseen through established internal governance and regular engagement with DESNZ and Ofgem.

Through these actions, we established the capabilities, foundations and methodologies needed to deliver national and regional strategic whole energy plans, consistent with the outcome of the SWEP Performance Objective.

End-Scheme position on Success Measures

*Note: Re-baselined dates have been reflected across the Success Measures with a view of original BP3 date shown in brackets for reference.*

**Submit the first SSEP pathways document to the UK Energy Secretary by Summer 2026. (*The original date of December 2025 included in our BP3 plan has been revised following the new timeline announced in December 2025).***

Within BP3, we completed the full analytical framework, governance and initial modelling required to support submission of SSEP pathway options in Summer 2026.

In Q3 2025-26, DESNZ advised us they would be releasing refreshed energy generation cost data, which is an input to the SSEP. With the release of this new data in October 2025 and January 2026, NESO and DESNZ took the decision to rerun the SSEP modelling to ensure our analysis and recommendations are based on the most credible, current and transparent information.

Upon learning of refreshed data from DESNZ in Q3, we quickly assessed the impact on the analysis and explored various options on how to respond. These options included the timing impact to the SSEP programme and the other NESO strategic planning deliverables. The decision as to whether to re-run the SSEP modelling was taken to the SSEP Committee (chaired by NESO with representatives from NESO, DESNZ, Ofgem, the Scottish Government and the Welsh Government) where it was agreed that was the best course of action. We mitigated the impact of the delay by leveraging the work undertaken, and learnings gathered, up to that point in the programme. The change to timescales, along with the rationale, was communicated to stakeholders promptly in early December 2025 on our

website and via our stakeholder working groups. Stakeholders welcomed the additional transparency to our inputs. We also presented and discussed our revised timescales with our co-commissioners and Ofgem to ensure full alignment.

We do not anticipate any further change to our plan following this event and have since made significant progress on our modelling activity to produce pathway options for the Secretary of State in Summer 2026.

Ensuring the SSEP is robust to inevitable changes is a key part of its development. The decision to re-run the modelling was treated as an exceptional event. Further changes will be managed through the robust uncertainty approach we are taking in our SSEP analysis and in the narrative, we will provide to the Secretary of State.

The SSEP accounts for multiple sources of uncertainty, including demand, technology costs, energy policy changes, and external factors such as weather patterns, given its 20-year planning horizon. Each step of the SSEP process is designed to address and manage these different forms of uncertainty. The pathway longlist reflects a wide range of potential future policy and system conditions, including varying levels of renewable technology, low carbon dispatchable power, and green gas deployment.

The shortlist of draft SSEP pathways will undergo sensitivity testing to assess how robust capacity needs are to changes in key parameters, including those set out above. The resulting assessment of robustness for each pathway option will be presented in the pathway options report, which is the document that presents the six pathways and our assessment of them to the Secretary of State for Energy Security and Net Zero for their decision. The presentation of the SSEP will also include indicative capacity ranges for each technology in each zone, capturing the underlying uncertainty.

**Publish the Transitional Centralised Strategic Network Plan 2 Refresh Report (tCSNP2) report by June 2026 (Initially 31 January 2026).**

We are on track to publish the tCSNP2 Refresh Report by June 2026. The original publication date of 31 January 2026 was moved with agreement of Ofgem to allow the tCSNP2 Refresh to produce recommendations that are the best outcome for consumers. The change in date allows for the scope of the analysis to include outputs from FES25, Connections Reform, Impact Assessments for the HND network, and to allow Transmission Owners (Tos) to further mature their options.

We received all the data required from the TOs to start our economic analysis in week commencing 2 March: This included the Environment and Community appraisals from the three TOs and the interactivity scores for Deliverability and Operability, which has now completed all the information we need to carry out our Strategic Options Appraisal. There are more discussions with Ofgem to confirm the sensitivities that we are expected to carry out such as different generation mix scenarios. Finally, we are drafting a proposal for the Refresh publication which includes: the structure, timeline, RACI and Governance. Late submission of data from TOs has meant we have used much of the contingency in our planned timescales. We remain confident of on-time delivery, but there is a risk that any further headwinds cannot be accommodated.

**Publish the approved strategic energy planning methodologies within the specified timelines: SSEP methodology by May 2025; CSNP methodology by September 2025.**

**SSEP methodology by May 2025**

The SSEP methodology was published on 15 May 2025 following approval from the Secretary of State for Energy Security and Net Zero and Ofgem. Formal approval letters from both organisations were positive about the work, transparency and engagement that had gone into the development of the methodology.

**CSNP methodology by September 2025**

The methodology was submitted to Ofgem on 30 January 2026, a revised date approved by Ofgem to allow NESO to incorporate the final CSNP guidance issued in November 2025. Ofgem issued its decision on 15 April 2026, providing conditional approval of the CSNP Methodology, subject to the provision of further detail in limited areas.

The Centralised Strategic Network Plan (CSNP) will provide an independent, long-term approach to energy network planning which will support Great Britain (GB) in delivering a clean, affordable and secure energy system. This is a groundbreaking approach, as for the first time in GB, a single framework will propose the transmission energy networks of the future. This is a whole-system perspective, one we are uniquely placed to deliver, that strategically considers where energy is being generated and the interactions between electricity, gas (methane) and hydrogen networks.

The methodology has been delivered through extensive engagement with Transmission Owners and Ofgem through detailed working groups. The methodology itself was consulted on in summer 2025, with a wide range of parties responding to the consultation. The final methodology reflects the stakeholder feedback and alignment with Ofgem's guidance document. We are building the plan and capability to deliver the CSNP across electricity, gas and hydrogen in 2026, 2027 and 2028.

**Publish the RESP methodology consultation by November 2025.**

The RESP methodology consultation went live on 17 November. We held a launch webinar with 370 attendees, and deep dive webinars were held in November and December into different methodology topics. Over 200 responses were received when the consultation closed in January, many from local authorities. A few small areas were identified for further work, and these were published for feedback in early March.

**Publish RESP inputs to Electricity Distribution-3 price control as agreed with Ofgem by March 2026.**

During 2025 we worked closely with Ofgem, the DNOs and other stakeholders to develop the RESP inputs into ED3. We held a consultation on our preliminary outputs in September 2025 and published our final outputs on time in January 2026. The work has been very positively received by both Ofgem and the DNOs and is a significant step forward in driving consistency between DNOs on load related investment planning.

**Publish the Gas Options Advice document (GOAD) by 31 December 2025.**

We published the GOA document on 9 December 2025, which was earlier than the target date of 31 December. A post-publication webinar took place in January 2026 as planned. The document has been well-received by both Ofgem and National Gas Transmission and is consistent with the RIIO-3 gas transmission price control.

**Establish hydrogen network planning activities by 30 March 2026, including, where relevant, proposals to extend the 2026 Gas Network Capability Needs Report (GNCNR) to cover hydrogen network requirements.**

We have taken on board new responsibilities as the strategic planner for the expected hydrogen system. This was confirmed in the Autumn 2025 DESNZ policy update and sees the integration of hydrogen system planning into both the SSEP and CSNP, as well as establishing a new hydrogen and gas engineering skill-base.

As hydrogen (and gas) are now included in CSNP there is no need to cover hydrogen in the GNCNR. We now move into delivering the CSNP, through which hydrogen network plans will be progressed, noting that implementation remains subject to wider government funding decisions.

**Build capability and establish regional teams with at least five full-time equivalents (FTEs) per RESP region by December 2025. Convene the first quarterly Regional Forum for each region by May 2025, to support transitional RESP and RESP development.**

All 11 RESP nations and regions teams successfully achieved the target of five FTEs by the end of December 2025.

**Convene the first quarterly Regional Forum for each region by May 2025, to support transitional RESP and RESP development.**

The first RESP forums took place in April 2025 and have occurred on a quarterly basis since then with the latest being held in February 2026. Each quarter 11 on-line forums are held across the RESP nations and regions giving stakeholders an opportunity to find out and provide feedback on key RESP developments, such as the transitional RESP and the RESP methodology. The total attendance across all forums has been over 3,400, with the relevance to attendees scored at 3.7/5, 67% finding the forums an effective engagement tool and, in the February 2026 forum, scoring 4/5 for forum interactivity. Forum feedback has been used to: adjust and improve interactivity in future RESP hosted online engagements, tailor future forum content, gather actionable comments on tRESP Nations and Regions Context (NRC) which was either actioned in the final tRESP release or reflected in the full RESP, help inform the design of our proposals for Local Actor Support, and allow attendees to request contact with their local RESP team. Prior to the first forum there was limited opportunity to engage with the RESP nations and regions teams as they were still being set up and were therefore unknown to local stakeholders, so the forums gave our teams visibility to wider stakeholders and vice-versa.

| Progress on additional Ofgem expectations |
| --- |
| **Review of Security and Quality of Supply Standard (SQSS)**<br><br>The NETS SQSS review is an ongoing process. Since we proposed the review plan in our RIIO-2 submission, we continued to review and deliver on that plan with:<br><br>• Five modifications submitted and approved by the Authority (GSR025 EREC P28, GSR026 non-standard voltages, GSR027 Frequency Control, GSR031 CATOs, GSR033 Code Maintenance, GSR034 Review of Loss of Infeed Risk for Offshore DC Converters)<br><br>• Two workgroups in progress with some elements planned to be submitted to the NETS SQSS panel in October (GSR029 Review of Demand Connection Criteria and GSR030 Offshore DC Connections);<br><br>• Two new modifications raised at the December 2025 SQSS Panel; GSR035 and GSR036, both relating to System Access Reform (SAR). SAR seeks to reform the transmission outage planning process to better facilitate connections.<br><br>The completed and ongoing SQSS reviews strengthen NESO's ability to lay the foundations for strategic energy planning, ensuring the standard continues to support effective system development and delivery.<br><br>We will continue the SQSS review to ensure the standard continues to be fit for purpose. |
| **Evidence how delivery timelines have been optimised for benefits**<br><br>We engage closely with DESNZ, Ofgem, and various other stakeholders on a regular basis (e.g. SSEP Committee) to seek input into optimised delivery timelines. A recent example of this collaborative effort is the delay to the SSEP pathways document based on revised modelling data from DESNZ. The programme has been re-baselined through concerted efforts with DESNZ and Ofgem to establish new timelines, which will consequently benefit from using enhanced data to deliver an optimised outcome.<br><br>The outputs for the Strategic Whole Energy Planning Performance Objectives are also reviewed and managed centrally through robust internal governance mechanisms where analysis of benefits and disadvantages of proposals are considered to ensure optimisation of benefits. |
| **The transitional Centralised Strategic Network Plan 2 (tCSNP2) should be a publication that sets clear signals for industry investment and does not require further refresh**<br><br>As noted above, we are on track to publish the tCSNP2 Refresh Report by June 2026. The original publication date of 31 January 2026 was moved with agreement of Ofgem to allow the tCSNP2 Refresh to produce recommendations that are the best outcome for consumers. We are committed to producing the tCSNP2 refresh in alignment with the methodology agreed upon with Ofgem. This will provide clear guidance for investment for Transmission Owners. |

| Performance Objective | End-Scheme Status |
|---|---|
| **Enhanced Sector Digitalisation and Data Sharing**<br>By working with the energy sector, we will develop an aligned and interoperable digital ecosystem driving industry digitalisation collaboration utilising innovation, underpinned by transparent data sharing and access. |  |

End-Scheme position on delivering this Performance Objective outcome

During the BP3 period, we consider that we met the Enhanced Sector Digitalisation and Data Sharing Performance Objective, through delivery of the key BP3 scope and foundations, having made significant progress in working collaboratively with the energy sector to develop an aligned and interoperable digital ecosystem. While the direction of travel and the key building blocks were delivered, full sector wide integration and adoption was not expected to be completed within BP3 and will continue beyond BP3.

Our success measures included the launch of the inaugural Sector Digitalisation Plan, which set out 16 actionable steps towards achieving Clean Power by 2030 and assigned clear responsibilities across sector organisations.

Stakeholder feedback from the end-scheme survey indicates improved engagement since mid-scheme, alongside stronger collaboration and alignment with sector priorities. Nevertheless, full integration, particularly across organisations with legacy systems and varying standards (for example, data and interoperability standards), remained a work in progress. This was evidenced by ongoing interoperability challenges and adoption rates.

We actively drove industry wide digitalisation collaboration and successfully delivered the Interim Data Sharing Infrastructure Coordinator role, supporting cross-industry engagement and stakeholder interaction. This role established a cross-sector design and delivery team, which delivered the Pilot for the Data Sharing Infrastructure programme. The programme progressed into the Minimum Viable Product (MVP) phase, with delivery continuing into the NESO1 period. In parallel, we progressed digitalisation using innovative approaches, including the Sector Digitalisation Plan and advanced analytics tools: NAVI to support internal analysis, and ADA to analyse stakeholder feedback and external data.

Our success measures also included the deployment of the Digital Quotient survey, which quantified improvements in digital capability across participating organisations, and the early adoption of AI tools, which enabled more robust and timely analysis of stakeholder input. These initiatives promoted innovation and fostered a culture of continuous improvement. However, persistent challenges in data quality, completeness, and accessibility were highlighted through stakeholder reports identifying gaps in DER data and inconsistent data formats, which continued to impact seamless data exchange.

Transparent data sharing and access were consistently prioritised, with NESO investing in enhanced data management frameworks, standardised data collection, and improved sharing platforms. Success measures included increased dataset publication, reductions in data errors, and improved stakeholder satisfaction with platform accessibility.

The adoption of digital tools and the systematic embedding of lessons learned into governance structures underpinned accountability and responsiveness, supported by regular audit outcomes and compliance reports. However, gaps remained, particularly in DER data completeness and wider accessibility for stakeholders, which we worked to address through targeted upgrades and sector wide advocacy for interoperable standards.

Overall, taken together these activities demonstrate delivery of the BP3 outcome, advancing the sector's digitalisation agenda through collaboration, innovation, and more transparent data sharing. This progress is evidenced by delivery of the Sector Digitalisation Plan and interim DSI Coordinator role, increased stakeholder engagement, improvements in digital capability metrics (as measured through the Digital Quotient survey), and enhanced data quality and accessibility over the period. While we delivered many of the intended outcomes within BP3, some aspects, particularly sector wide interoperability, legacy system integration, and improvements in DER data completeness, remain under development and will continue to be progressed through clear plans and regulatory engagement into the NESO1 period.

End-Scheme position on Success Measures

**Publish a sector digitalisation plan study by the end of April 2025.**

In direct response to Ofgem's requirements and in close partnership with both Ofgem and DESNZ, we published the Sector Digitalisation Plan in September 2025, following an agreed extension earlier in the year. This collaborative approach ensured the plan was informed by the extensive expertise across the sector and addressed the digital capabilities and specific actions necessary to deliver Clean Power by 2030. The plan is the first of its kind and we consider it to have supported a step change in the digital agenda in the UK energy sector. Stakeholder feedback has been extremely positive about its content.

Additionally, we released the updated Digitalisation Strategy and Action Plan (DSAP), which articulates our ambition to transform Great Britain's energy system through digital leadership, innovation, data driven decision-making, and sector wide collaboration. DSAP lays the digitalisation foundations for us to support the Sector Digitalisation Plan. This DSAP introduced Digital Charters, replacing previous cross cutting efforts with concise one pagers that draw a golden thread between strategy, business planning, and digital excellence. These charters embody the digital mindset embedded in our Corporate Strategy and reaffirm NESO's commitment to progression and market leadership.

**Establish Data Sharing Infrastructure (DSI) for the industry, with Minimum Viable Product (MVP) readiness by the end of September 2025.**

We can confirm that the DSI Interim coordinator role and the DSI Pilot were delivered, with strong industry engagement and positive feedback. The outputs of the pilot informed the scope, design, and delivery approach for the MVP. The completion of the pilot represented the conclusion of the private beta phase and provided the necessary technical, governance, and stakeholder assurance to proceed to MVP delivery.

Following the pilot, formal mobilisation of the DSI MVP commenced, including:

- Initiation of MVP delivery activities
- Mobilisation of delivery partners
- Embedding of legal, procurement, and governance frameworks, and revision of specifications based on pilot learning and industry feedback

While full MVP readiness is now planned for July 2026, this reflects an evolution of delivery planning based on pilot insight rather than a failure to progress. Our most recent programme reporting confirms that the MVP remains on track, with no identified risks to delivery and strong momentum following the MVP kick off.

Importantly, we consider that the intent of the September 2025 success measure was substantively met, in that:

- DSI pilot was completed and closed.
- MVP delivery was formally initiated and mobilised.
- Governance and delivery arrangements were put in place, and NESO indicated continued progress in line with its role as Interim DSI Coordinator and delivery partner for DESNZ.

We remained confident that the DSI programme was progressing in line with regulatory expectations, with MVP readiness clearly defined, governed, and actively delivered, and with industry trials planned as the next step following MVP completion.

**Fully implement the interim Data Sharing Infrastructure (DSI) Coordinator role (subject to consultation outcomes) by the end of 2025.**

We effectively implemented the interim DSI Coordinator role by the end of 2025, meeting both regulatory expectations and consultation outcomes. Throughout the year, we mobilised its team, transitioning from an interim setup to a more permanent structure through ongoing recruitment and by leveraging existing business capabilities. Stakeholder engagement was prioritised, notably through an industry webinar attended by approximately 100 participants, which received positive feedback (average score 4.2/5) regarding our approach to delivering and coordinating the DSI, as well as its proposed system architecture and legal trust framework.

To further strengthen sector collaboration, NESO established the DSI Stakeholder Advisory Group (SAG), comprising senior representatives from energy, technology, academia, and related sectors, to provide strategic guidance and expert insights. The first SAG meeting took place in February 2026, marking a significant step in sector wide engagement. We have demonstrated operational leadership by successfully delivering and closing the DSI Pilot, initiating and mobilising the Minimum Viable Product (MVP) phase, and actively coordinating programme governance, industry collaboration, delivery partner management, and the establishment of legal, procurement, and trust frameworks. Ongoing engagement with Ofgem, DESNZ, and industry participants further underscores NESO's active operation of the coordinator role.

While enduring governance arrangements are subject to future consultation, we have met the intent and substance of the interim coordinator success measure, operating key

functions in practice rather than in outline and providing demonstrable leadership and progress across the pilot and MVP phases.

**Improve the Open Data Portal by increasing the availability of shareable energy data and embedding a more comprehensive data catalogue for greater transparency.**

During BP3, we made clear progress in improving the Open Data Portal by increasing the availability of shareable energy data. Over the period, we expanded the volume and scope of datasets published on the Open Data Portal and established processes for ongoing data quality monitoring. These actions supported delivery against the intent of the success measure, alongside the publication of NESO's Data and Analytics Strategy, which sets out a clear framework for trusted, impartial, and accessible data. We also initiated enhancements to improve the functionality of the portal so that large volumes of data could be readily processed and to strengthen controls supporting high quality data availability. These were additional to the original Performance Objective, informed by customer survey feedback.

We did not upgrade the existing data catalogue, with the Data Portal's existing catalogue remaining the primary means for users to navigate and access datasets.

This decision was taken to avoid wasted spend in BP3 due to plans in NESO1 to integrate data catalogue capability with analytics and AI capabilities, creating an improved user experience, with expanded features for better insights, navigation, and data transparency.

Additionally, we have continuously addressed any feedback received from the stakeholders on issues such as responsiveness of data sharing requests and data point handling and have undertaken significant remediation activity in the second half of BP3, resulting in measurable improvement and a more robust foundation for future delivery. On balance, we have met the success measure in terms of direction, substance, and demonstrable progress, with improvements delivered on a progressive basis rather than as a single end-state milestone, and with clear plans in place to continue addressing residual issues beyond BP3.

**Increase distributed energy resources (DER) visibility through improved registration and forecasting.**

Our principal goal during BP3 was to increase the visibility of distributed energy resources (DER) through improved registration and forecasting.

Throughout the year, we published a comprehensive DER & Consumer Energy Resources (CER) Visibility and Access roadmap and invited stakeholder feedback. Notably, we identified two minimum viable products (MVPs) for core distributed energy data, slated for delivery in 2026. Phase 1 improvements to CER visibility were realised through updated operational metering standards, and arrangements were made to share real-time network data with distribution network operators (DNOs).

During BP3, Phase 3 of the Transformation to Integrate Distributed Energy (TIDE) programme was deliberately paused to provide clarity on industry interactions and avoid progressing activity at risk of rework or limited value. The programme pivoted to areas that could be progressed with confidence, improving financial efficiency and resulting in

forecast expenditure materially lower than originally expected, while protecting consumers from the cost of misaligned activity. During the pause in full-scale delivery, the TIDE team refocused on foundational priorities, including conceptual and technical solutions for ingesting distributed and consumer energy resource data, alongside targeted business solutions. The team also delivered short-term initiatives providing immediate operational benefit, particularly for control room operations, maintaining momentum and retained learning.

Our progress was hampered by uncertainties in industry roles, governance, and data ownership. Limited industry commitment further complicated implementation, slowing improvements to DER registration and forecasting. These external dependencies highlighted the complexity of coordinating sector wide transformation.

To mitigate these challenges, we adapted our approach by prioritising foundational solution design and stakeholder engagement. Interim data sharing arrangements with DNOs were established, and incremental improvements to CER visibility were implemented. Activities were rescheduled and managed in phased increments to maintain momentum and lay the groundwork for future success.

Although full operational delivery of improved DER registration and forecasting was not achieved within BP3, we made substantial progress in establishing a robust foundation. Our transparent stakeholder engagement and phased strategy positioned us well for continued advancement into NESO1. We acknowledged ongoing challenges and remained committed to resolving them. With a clear roadmap, solution blueprint, and identified MVPs, we are well placed to realise the benefits of enhanced DER data visibility and forecasting in the coming years.

| Performance Objective | End-Scheme Status |
|---|---|
| **Fit-for-Purpose Markets**<br>We will support the government in making informed decisions on policy and market reform across the whole system. We will also continue to reform our own markets to level the playing field and deliver value to consumers. |  |

End-Scheme position on delivering this Performance Objective outcome

We consider that a strong outcome has been achieved for this performance objective evidenced by our contribution to key government decisions (including the REMA outcome), and continued reform of our balancing service markets and their entry requirements to level the playing field and deliver value to consumers. We have ensured strong delivery of our Capacity Market and Contract for Difference auction responsibilities and throughout all our activities ensured clear, effective and timely engagement with customers and stakeholders. Our achievements in this space demonstrate our capability, expertise and clear trust in our rationale and approach by government.

We were integral to the government's assessment of its Review of Electricity Market Arrangement (REMA) programme, providing extensive analysis and insights to inform and shape the work. Since the government's decision last summer to progress Reformed National Pricing (RNP), we have pushed forward with proposals to reform market arrangements around balancing, settlement and dispatch including launching our Call for Input ahead of other RNP workstreams in order to progress to implementation and deliver consumer value as early as possible. This provides clarity to the market on NESO's expected direction of travel under RNP. We have established an industry expert group to ensure all perspectives are considered and developed as appropriate. We have also stood up internal workstreams to support RNP Constraints as well as Siting and Investment Levers workstreams.

We jointly developed the Clean Flexibility Roadmap (CFR) with DESNZ and Ofgem. This work brought together the three key institutions responsible for delivering flexibility to meet Clean Power 2030, establishing a unified approach to unlocking demand side flexibility and ensuring the system can adapt to rising variability. We have resourced our Power Responsive programme to advocate for demand flexibility, particularly for non-domestic consumers. This enables them to recognise the value of flexibility and facilitates their entry into our markets to support the clear target we set in December 2025 for expanded non-domestic participation in our markets.

Alongside the Roadmap, we proposed and consulted on service design changes to NESO's markets to ensure a level playing field, and have enabled consumers and smaller generators to provide demand turn up/generation turn down capability through the Demand Flexibility Service (DFS). All technologies can now more easily participate in our Slow Reserve and Static Firm Frequency Response (FFR) services enabled through key design changes. We also proactively supported the Market Facilitator (MF) throughout its preparation and launch to enable both the MF and NESO to set up positive future consumer outcomes aligned with each organisations' objectives and roles.

In addition to the DFS, we also continued the evolution and delivery of our frequency response and reserve services. This included the development and delivery of Slow Reserve, enhancements to allow non-BM units to participate in Quick Reserve as well as targeted enhancements to other markets in line with our Markets Roadmap and our Enabling Demand Side Flexibility (EDSF) strategy. Alongside this we worked with key industry stakeholders to allow less restrictive operational metering standards into the Balancing Mechanism, providing a route for aggregators and suppliers to use when bringing consumer led flexibility into our markets, levelling the playing field in these key areas and enabling greater liquidity to improve consumer value.

We also continued to operate Capacity Market (CM) and Contracts for Difference (CfD) regimes and played a key role in the successful delivery of the latest CfD round as well as continuing to provide clear advice to government.

Our strengthened code administrator function has further improved the clarity and consistency of market arrangements for industry, supporting effective reform and a more reliable framework for participants.

Engagement with industry was integral to all our work. For example, during BP3, we established the Gas Advisory Council (GAC) to improve transparency in our decision making and ensure our proposals reflect a broad range of industry perspectives. We also held well-received industry events covering balancing services, RNP, CfD and CM, as well as focussed webinars and consultation processes on specific topics throughout the year. The questions and feedback we receive through these activities support our decision making and enables our customers to better understand NESO markets and our future plans.

End-Scheme position on Success Measures

**Report the volume of services procured competitively. The proposed targets for BP3 are: Constraints: 100%, Frequency Response and Reserve: 90%, Reactive: 5%**

Q4 Performance:

Constraints: 100% (BP3 target: 100%)

Frequency Response and Reserve: 87% (BP3 target: 90%)

Reactive: 3.76% (BP3 target: 5%)

This success measure shows the iterative changes that we have made throughout the year to encourage competitive outcomes across our services.

Constraint procurement remains at 100% across the year.

Frequency Response and Reserve procurement has steadily increased across BP3 due to the introduction of NESO's Quick Reserve product. Procurement remains under the 90% target which can partly be attributed to the delay in implementation of the Slow Reserve service. The figure of 87% for 2025-26 is an improvement on 83% in 2024-25, and 78% in 2023-24.

Over the last 12 months, we have dedicated resource to the continued improvement and development of our Reactive Power markets to enhance competition as part of our procurement strategy.

In July 2025 we launched the invitation to tender stage for the first Long-term Reactive Power Market tender "Long-term 2029" which is competitively procuring reactive power across England and Wales from 2029 to 2039 via a long-term contract. This tender is a 'first of a kind' bundled tender with restoration & stability with the aim to help drive down costs through more optimised procurement.

In January 2026 we launched the pre-market consultation for the Mid-term Reactive Power Market. This market will seek to competitively procure requirements using medium-term contracts (e.g. 1 year, 2 years) to cover forecasted requirements, generator and network outages. This consultation seeks industry feedback prior to market launch, demonstrating continued industry collaboration in the development of this new market.

Once both reactive power markets are in use, we expect to be able to competitively procure a greater share of our requirements.

**Deliver quality analysis required for the REMA programme to reach a successful conclusion and move into the implementation phase. We will evidence engagement with a broad range of customers and clearly demonstrate how their feedback has been fully considered in our work.**

In the first part of the BP3 period, we continued to support the REMA programme, including market design and implementation preparation. Following the government conclusion to REMA in July, we re-scoped, re-planned and re-launched as the Reformed National Pricing (RNP) programme in October, with three workstreams to mirror the DESNZ programme. We established an RNP PMO function to manage complex governance; risks; delivery; and benefits realisation.

Our RNP work is critical to driving the policy development and implementation of this high-profile government programme. And with our work on Balancing, Settlement and Dispatch, we are out in front driving industry debate and collaboration in RNP policy development.

**Balancing Settlement and Dispatch (NESO-led workstream)**

- We published our Call for Input (CFI) on 11 February 2026. Originally planned for 2025, we initially delayed publishing alongside the DESNZ Delivery Plan, but when that was further delayed, we decided to publish ahead of DESNZ in order to be able to maintain implementation timelines. The CFI closed on 14 April. We have held two webinars, attracting 480 attendees and 110 questions which have all been answered publicly and feedback incorporated. Reaction to the CFI has been positive from industry, Ofgem and DESNZ, with good feedback on the level of detail and the clear case for change articulated.
- We launched an Expression of Interest process for an expert industry panel, which attracted >50 applicants, signalling clear appetite to help shape the programme.
- We ramped up stakeholder engagement significantly over Q3 and Q4, with over 55 individual engagement events, many of which have been group workshops via the

major trade associations. We also met with Citizens Advice to bring a strong consumer perspective into the programme and will continue engaging directly with customers through NESO-led forums including Markets Forum, OTF and EMAC.

- We have started delivering the analysis needed to enable a final recommendation and decision (in 2026) on the balancing reforms. This includes Cost Benefit Analyses of the reforms, individually and as a package, and assessments of implementation and market impacts. We are establishing a steering group with DESNZ and Ofgem.
- We continue to plan for the implementation of the balancing and dispatch reforms, understanding what it would take for NESO and industry to implement, and the wider impact on industry processes, systems and business models.
- Stakeholder feedback has been hugely valuable in shaping the CFI, and going forward evidence from the CFI responses, as well as from the industry expert panel and general stakeholder engagement, will be critical to shaping the design, assessment and implementation of the final package of reforms. For example, we received feedback on the complexity of implementation of lower BM thresholds (especially below 10MW) and shorter settlement periods, which led us to propose a phased implementation for both reforms, also reflected in the CBAs.

**On Siting and Investment Levers (DESNZ-led workstream):**

- We have been supporting DESNZ, and working with Ofgem, to shape the content for the DESNZ Delivery Plan. On policy development, we have created a risk framework that will enable the RNP programme to understand the scale of risks, and potential mitigations, for each of the proposed packages of levers. This has been shared with DESNZ and Ofgem and will form part of the decision-making framework.
- Stakeholders have fed back on the merits of directive versus market-led approaches, and on proposals for network charging reform. We have incorporated this feedback in our analysis and have brought it to DESNZ and Ofgem to support policy development.

**On Constraints Management:**

- We have established an internal workstream to identify, coordinate and drive forward all NESO initiatives to mitigate constraint volumes and costs. We have supported DESNZ in the drafting of the constraints chapter of the Delivery Plan.
- Stakeholder feedback on constraint management measures is being incorporated into our analysis and fed into the wider RNP programme.

**Deliver against the Markets Roadmap to be published in April 2025.**

- **Improved capability to manage frequency, and a level playing field for response providers.**
- **New and improved procurement processes for ancillary services, such as stability and reactive power.**
- **Deliver the actions needed to support the objectives of our Enabling Demand Side Flexibility report, including the Routes to Market Review (as per the planned timeline).**

We delivered the commitments set out in the 2025 Markets Roadmap, strengthening system capability, widening market access and supporting lower consumer costs.

**Frequency services reform**
We continued the redesign of our frequency response and reserve markets, including the launch of Quick Reserve (non-BM), the introduction of Slow Reserve, enhancements to Balancing Reserve and continued evolution of Dynamic Response. We also published the market design for Realtime Dynamic Response, which is expected to deliver substantial annual savings. Collectively, these reforms improve competition, broaden access and strengthen transparency across frequency management.

**Stability and reactive power services**
We transitioned from pathfinder approaches to enduring long-term (Y-4) stability markets and mid-term (Y-1) stability and reactive power markets. This included launching the LT2029 bundled tender, progressing successive rounds of the Mid-Term Stability Market, and advancing the Mid-Term Reactive Power Market following consultation. These markets support a lower-carbon, lower-cost and more resilient system through transparent, competitive procurement structures.

**Demand-side flexibility (EDSF, DFS and Routes to Market)**
We advanced key actions under the Enabling Demand Side Flexibility programme and the Routes to Market Review. Enhancements to the Demand Flexibility Service widened participation through lower entry thresholds and demand turn-up capability, and introduced locational procurement to support efficient whole-system outcomes. Progress is reflected in the EDSF annual update and the three Routes to Market progress reports[1].

**Clean Flexibility Roadmap – Action 7a-7c**
We delivered actions 7a-7c under the Clean Flexibility Roadmap to meet challenging timelines, including setting a 750MW target for non-domestic flexibility, launching an open call for large loads and establishing a dedicated onboarding function to support new participants. These actions expand participation, improve access and strengthen the role of flexibility in delivering a secure, efficient system.

Together, these reforms demonstrate strong delivery against the 2025 Markets Roadmap, improving GB's capability to manage frequency, strengthening stability and reactive power procurement, advancing demand-side flexibility and delivering all joint NESO–DESNZ–Ofgem flexibility actions. These improvements widen participation, enhance transparency, support whole-system efficiency and deliver clear benefits for consumers.

**Publish the first draft Gas Future Markets Plan for consultation and review. We will also lead and set the direction of the Future of Gas Steering Group and Forums which will support in providing a review done with effective industry engagement.**

The published title for the Future Market Plan will be the Gas Markets Roadmap (GMR) as it better reflects the document's purpose. We are on course to publish by 31 July 2026, meeting our licence obligations and ensuring alignment with wider NESO publications. Development of the plan is supported through the Gas Advisory Council (GAC), which

[1] Routes to Market Stage 3 update, Q4 2025 update, Q1 2026 update

provides structured engagement with Relevant Market Participants and acts as the primary forum for testing and refining proposals with industry and Ofgem.

To inform the GMR, the GAC is progressing three NESO-led priority projects across biomethane support, hydrogen blending, and gas storage. These projects reflect key areas of future system change and show our proactive analytical contribution to whole-system planning.

We continue to work with DESNZ and industry to ensure the GMR is grounded in coherent, cross-government policy. We have consulted Market Participants, DESNZ and Ofgem to identify the central challenges that will frame the first GMR. Associated evidence and analysis are available through the GAC library.

**Engage with decision-makers and customers across energy vectors to move towards greater whole energy market coordination, collaborating to assess and prioritise our activities. Evidence engagement with a broad range of customers and clearly demonstrate how their feedback has been fully considered in our work to develop proposals in areas where there is benefit from improved whole energy market design coordination.**

We published our Whole Energy Market Coordination Report in July 2025, giving an independent view of cross-vector market interactions and opportunities for greater coordination. We engaged with a range of domestic and international stakeholders across the energy sector to identify three focus areas and 11 opportunities for improvements.

We are now focusing on gas and energy costs/bills, reflecting themes across the 11 opportunities, to inform other NESO workstreams (e.g. RNP, FMP) rather than further Whole Energy Market Strategy (WEMS)-wide publications.

Our Gas Advisory Council (GAC) supports our work to identify and progress priority areas for further work within the gas sector. The GAC has been instrumental in examining interactions between gas and other energy vectors, supporting a more integrated, whole-system approach. Its input was particularly valuable in informing our understanding of security of supply, drawing on members' expertise from a gas storage perspective.

**As Code Administrator for the CUSC, Grid Code, STC and SQSS, NESO will ensure that these codes are administered in an independent, fair manner in accordance with CaCOP standards. Positive feedback from our Independent Panel Chair, Panel Members and industry in relation to our performance as Code Administrator.**

Across BP3, as Code Administrator we progressed a high volume of code work, including in Q4 (~3.5 workgroups/week; ~40 live modifications), and took over the chairing of CACoP for 2026.

There was a successful handover of the Independent Panel Chair in September 2025.

**Panel Chair (March 2026):** *"Over the 6 months of the year for which I have been the independent Chair of the Grid Code and CUSC Panels I have seen a strong performance by the Code Administration team. They are proactive, produce information, papers, agendas and minutes on time and to a good standard, and are very responsive to requests or comments made by myself or by Panel members. I believe they have*

*acted independently - of myself, of trading parties, and of other parts of NESO. For example, the prioritisation of code changes is carried out by committee, with the code administrator not promoting the interests of NESO changes over those of changes proposed by trading parties. This also goes to fairness, which I have also seen in how the Secretariat has responded in meetings to challenge - they are open and honest, and not defensive. When someone has a good point, they recognise it and work with it."*

Following the 2025 CUSC Panel Elections, NESO raised CMP462 to enable the Code Administrator to run an expedited Alternate Election Process where the standard process does not appoint Alternate Panel Members. This modification has now been approved, and Alternate elections will commence in March 2026. The change strengthens Panel resilience by ensuring Alternates are available to support decision making when required.

Working with Industry, we progressed a test-case for code simplification through GC0164 and GC0179 to support the Energy Code Reform (ECR) transition.

**Network Operator:** *"I think it's been useful and I think it should provide a good starting point for code managers to think about what they need to do when they're looking at combining, consolidating and simplifying the codes as we move forward in code reform. So, I think it's been a very useful bit of work."*

**University of Birmingham:** *"It's wonderful work. I got the benefit for myself, my team, my students. They, through the process, got preliminary understanding of the Grid Code and its requirements. This kind of activity is very useful indeed to university students and to university academic staff. Wonderful work. Thank you for the efforts to produce this wonderful output."*

We continued to engage on ECR, responding to consultations throughout the year. We took an active role in cross-code meetings, sharing best practice and driving preparations for ECR transition activities.

**First Early Competition pre-qualification launched by the end of 2025 and Invitation to Tender launched by the end of March 2026. Deadlines met with sufficient market interest to run an effective procurement event.**

While the first Early Competition pre-qualification was not launched by the end of 2025, we progressed the process in line with the agreed timetable up to the point of regulatory decision. We submitted our recommendation for the first qualifying project in November 2024, following publication of the tCSNP2 'Beyond 2030' report and consistent with the Success Measure timelines. Subsequent regulatory considerations meant that a qualifying project was not progressed to competition and the formal launch of pre-qualification did not proceed in 2025. As a consequence, the associated Invitation to Tender was also not launched by the end of March 2026.

Market engagement has been strong. This included a joint Ofgem/NESO delegation presenting the CATO model to potential overseas investors in Japan and South Korea, alongside regular bilateral engagement with prospective bidders and financiers. These included OFTO developers, incumbent Transmission Owners, international TSOs, asset management firms, and sovereign wealth funds. We also hosted a webinar on updates to the early competition model, attracting around 170 attendees. Taken together and

alongside our recently published Expression of Interest which closed on 30 April 2026, this activity demonstrates sufficient market interest to support an effective procurement event once launched.

We also provided considerable support to Ofgem in the development of the CATO licence, which is scheduled for consultation in 2026. Tender documentation is at an advanced stage of development, with draft Technical Scope of Works, Pre-Qualification Questionnaire and Invitation to Tender questions, and evaluation criteria published and shared with industry for comment ahead of finalisation in mid-2026. We also strengthened the team, with further capability build planned through 2026 to align with the anticipated timing of the first tender launch. This demonstrates operational readiness to run a compliant and effective tender once triggered.

**Implement Capacity Market and Contracts for Difference regimes for CP30 and operate the markets effectively.**

- **Implement system and process guidance changes required to enable CP30 and wider policy objectives in line with DESNZ and Ofgem consultation decisions ready for the CM and CfD rounds opening summer 2025.**
- **Provide support for CM and CfD customers enabling participation in the schemes through maintaining guidance, offering points of contact and in running industry webinars.**
- **Deliver continuous improvements to CM and CfD systems and processes against prioritised customer enhancements.**

After a customer readiness programme of guidance, videos, launch events and webinars, we opened Capacity Market 2025 and CfD Allocation Rounds 7 and 7a, with all regulatory changes implemented on time. Both saw record levels of interest, and during the application window we responded to over 1,000 customer queries.

AR7 and 7a delivered a record outcome, securing 14.6 GW of renewable capacity, including 8.4 GW of offshore generation, marking a major step towards Clean Power 2030. The T-1 and T-4 Capacity Market auctions also performed strongly, procuring capacity above target requirements at the lowest clearing prices seen in the last four years, strengthening security of supply while delivering better value for consumers.

Throughout the BP3 period, we actively sought customer feedback to improve our processes and systems. As a result, we delivered 16 enhancements to the Capacity Market Portal, improving both customer experience and operational efficiency. The AR7 customer survey showed continued high customer satisfaction with an overall score of 8/10.

We worked closely with DESNZ and Ofgem to support the development of regulatory changes for CM 2026 and CfD AR8, helping ensure both remain fit for purpose. Many of our recommendations were reflected in the published DESNZ consultation documents.

**Progress work to enable the realisation of the demand side flexibility required to achieve CP30, including through NESO markets.**

In the first half of 2025, we worked with Ofgem and DESNZ to develop the Clean Flexibility Roadmap (CFR), setting the CP30 path for flexibility actions. This coworking continued after publication via our membership of the consumer-led flexibility working group.

As set out in our Q3 report, following publication of the Clean Flexibility Roadmap, we consolidated market-related flexibility actions within the Enabling Demand Side Flexibility programme and reported progress on initial CFR delivery and Routes to Markets reforms as well as publishing a DSF dashboard.

2025 saw DFS complete its first year as a merit-based margin tool, giving the market the opportunity to compete domestic and commercial flexibility alongside other actions in our control room. The service continued to grow and saw forecasted savings of ~£790k. As part of the continued focus on demand-side flexibility, we have engaged with the market over the last year to develop further enhancements to the service which seek to introduce demand turn up capability, by reducing entry thresholds and bringing procurement closer to real time. These changes have been submitted to the regulator for approval. We are continuing to work on removing barriers to DSF in our markets and integrating flexibility in our wider market reform activity and policy work.

Progress on additional Ofgem expectations

**Evidence how market reform has resulted in greater market compliance with NESO's Market Design Framework, shown through an update of the 2023 assessment by a competent third party or equivalent.**

We introduced the Market Design Framework (MDF) in 2021 to ensure that markets are designed in a robust, comprehensive and transparent way. In 2023, an independent assessment by LCP found that while some services were fully aligned with the MDF principles, others were not. We used LCP's findings to shape our focus and set reforms to improve alignment, and we presented these as our drivers for reform in the March 2024 Markets Roadmap. In 2024, we also applied the MDF to the Constraints Collaboration Project, Mid-term Reactive Power Market and Balancing Reserve.

As part of our transition to NESO in 2025, we reviewed and strengthened the MDF to reflect our new statutory duties. We applied the updated MDF to the Short-Term Reactive Power Market and the RNP Call for Input, and took steps to make sure the MDF is consistently applied across market design and development. Since early 2026, all new service designs or market changes must include an MDF assessment. This is presented at internal governance forums (e.g. Market Reform steering committee) before approval. These measures further improve consistency and transparency in decision-making.

As mentioned above, during BP3 we carried out a review of the MDF. Ofgem clarified that a range of approaches could be used to evidence progress against the MDF, and that a full independent re-appraisal was not required in BP3. In light of this we chose not to commission a further independent assessment and instead provided proportionate evidence demonstrating market compliance with the MDF, as summarised above.

**Evidence how NESO has proactively engaged with the Market Facilitator ahead of its launch, such that development of market rules and delivery of benefits is enabled as soon as possible from go-live (and earlier where relevant). NESO should also continue to work with the Open Networks programme, delivering on actions where relevant.**

We prioritised our work with the Market Facilitator (MF) in BP3 to ensure its establishment, the framework it operates in, and ways of working between it and NESO are fit for purpose. As a result, our dual role as a purchaser of balancing services and as system operator is now recognised by Elexon. The current arrangements should enable effective coordination between the MF, DSOs and NESO and drive consumer value and system security.

We engaged regularly with Elexon in the lead-up to (and following) its publication of the Flexibility Market Rules and Delivery Plan. We responded to each consultation, arranged regular discussions between NESO and Elexon alongside collaborative workshops, and kicked off the drafting of a joint NESO-Elexon ways of working document ahead of Ofgem's proposal that we do so. This resulted in a positive and open working relationship with the Market Facilitator team. Much of our feedback was also taken onboard regarding prioritisation of the different proposed actions, the content of draft Flexibility Market Rules and the governance arrangements. We continued to collaborate with the Open Networks programme and actively supported handover arrangements. Now that arrangements are live, we are continuing to engage with the Market Facilitator through workgroups, the advisory board and regular bilateral meetings, to realise benefits. We have consulted on our service design to identify NESO-DNO service alignment opportunities and have harnessed the primacy workgroup to develop and implement practicable primacy arrangements in DFS.

**Evidence how NESO has engaged proactively in the identification of GB rule changes (including relevant industry codes and standards) and has worked to affect change positively to the benefit of the GB consumer.**

**GB Gas Code Change**

We collaborated with National Gas, industry and Ofgem on existing and pre-code gas modifications (including UNC0920, UNC0903 and UNC0907), applying whole-system analysis to identify and address electricity system impacts.

**GB Commercial Code & Policy Changes (CUSC & BSC)**

As proposer of CMP448[2], we built on the defect established through industry engagement to develop a solution that improves connection queue efficiency. Through workgroups, we transparently tested the design, activation scenarios, and consumer benefits, alongside targeted engagement with DNOs to ensure the solution was workable and proportionate across Transmission and Distribution.

We also supported Demand Connections Reform following the Planning and Infrastructure Act, working with Ofgem on its Call for Input (CFI), technical proposals and stakeholder engagement (see Connections Reform Performance Objective).

[2] CMP448: Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

To progress Issue Group 114[3], particularly on Supplier Compensation for Applicable Balancing Services Volume Data (ABSVD), we commissioned a targeted CFI to validate industry views and build an evidence base. This directly informed the decision to progress the issue to BSC Panel, providing evidence-based, transparent rationale for NESO to raise P502.

We resumed the Storage Subgroup to support policy development on storage and network charging reform under RNP, with analysis shared via the Transmission Charging Methodologies Forum.

We raised CMP457[4] to introduce a more cost-reflective compensation arrangement for obligatory reactive power services. We also challenged CMP423[5] after our tariff and consumer bill-impact analysis showed it would increase costs by shifting charges from generation to demand.

We raised CMP447[6] to remove the remaining strategic TO works that new connections were required to securitise, after engagement with affected parties who highlighted this as a barrier for projects located near strategic works. Following assessment of the scale and impact, we prioritised the modification and requested it proceed on an urgent timeline.

**GB Technical Code & Policy Changes (Grid Code, STC and SQSS)**

As proposer of GC0166[7], we addressed dispatch barriers faced by storage assets and are now moving into operational implementation. The workgroup included several participants who were new to the code change process, so we ensured discussions remained meaningful and inclusive, supporting a well-tested and robust solution.

We continued developing technical solutions ahead of formal modifications, including Grid Forming and demand-connection requirements, through NESO-chaired expert groups and targeted engagement. Engagement was supported through the Grid Code Development Forum, where updates and feedback are routinely shared.

To support the System Access Reform (SAR) programme, we raised several modifications (GSR035, GSR036, PM0153, PM0154) to modernise transmission access planning. These build on the Transmission Acceleration Action Plan and have broad industry support.

We raised GC0183[8] following engagement from the Space Weather Industry Protocol group to enable timely operational information exchange during severe space-weather events. In the System Operator Transmission Owner Code (STC), we raised CM0104[9] after identifying an issue with billing days post-separation from National Grid, ensuring adequate time between payments received and made.

[3] Issue 14: Issues relating to Settlement of ABSVD for ancillary services delivered through independent aggregators
[4] CMP457: Revision of the Obligatory Reactive Power Service (ORPS)
[5] CMP423: Generation-weighted Reference Node
[6] CMP447: Removal of designated strategic works from cancellation charges/securitisation
[7] GC0166: Introducing new Balancing Mechanism Parameters for Limited Duration Assets
[8] GC0183: Generator and Interconnector Availability During a Severe Space Weather Event
[9] CM0104: Due Date for Monthly Payments to Transmission Operators (TOs)

We prioritised rule changes based on system security risk, consumer impact, and delivery timelines, and sought urgency under the code process were supported by evidence. We focused on modifications with clear consumer benefit, such as GC0117[10], and progressed targeted, evidence-based changes where analysis and industry engagement demonstrated a need, including GC0182[11].

We did not raise formal modifications where non-code solutions were more effective, proposals required further development, or external dependencies would have limited progress. For example, on Grid Forming, we undertook preparatory work through an expert group but paused formal modification activity pending publication of updated European Network Codes.

We completed the C9 review in line with licence requirements, including industry consultation, and submitted the report to Ofgem. For more detail see our Q3 Incentives Report.

[10] GC0117: Improving transparency and consistency of access arrangements across GB by the creation of a pan-GB commonality of Power Station requirements

[11] GC0182: Standardisation of Power Flow Metering Polarity

| Performance Objective | End-Scheme Status |
|---|---|
| **Secure and Resilient Energy Systems**<br>We will improve whole energy system emergency preparedness and resilience. We will ensure the necessary capabilities and requirements are in place and facilitate industry readiness to meet the Electricity System Restoration Standard. |  |

End-Scheme position on delivering this Performance Objective outcome

BP3 was a period of significant firsts under NESO's new duties and licence requirements for Resilience. During the period, we improved whole energy system emergency preparedness and resilience, and we remain on track to have the capabilities and requirements in place and facilitate industry readiness to meet the Electricity System Restoration Standard (ESRS). Therefore, we have met the outcome of this PO. Our activity focused on maintaining secure system operation while strengthening preparedness for credible extreme events in an increasingly complex and interconnected energy system.

As part of improving whole energy system emergency preparedness and resilience, across the BP3 period we focused on strengthening the analytical, operational and coordination capabilities that underpin effective emergency response and restoration. This included Energy Resilience Assessment (ERA)-based risk and scenario analysis, ESRS related restoration modelling, and the cross-industry coordination mechanisms developed through the Emergency Processes Assessment and our response to the North Hyde event. These enhancements improved our understanding of system risks and restoration challenges, supporting a more robust and systemwide approach to preparedness.

Our response to the North Hyde event provided a significant real-world test of emergency coordination, restoration arrangements and post-event analysis. We supported the immediate restoration effort and maintained wider system stability, while undertaking a structured investigation and review activity. The findings from North Hyde informed coordinated resilience actions across NESO, government, and the regulator, strengthening system-wide preparedness and confidence in emergency response arrangements.

During BP3, we also delivered the first Energy Resilience Assessment, engaging with a broad range of stakeholders to assess risks, interdependencies, and vulnerabilities across the energy system. This assessment strengthened our ability to provide energy risk and threat advice and informed prioritisation of resilience actions, supporting improved preparedness rather than one-off delivery.

We worked collaboratively with industry through the Emergency Processes Assessment to review and improve emergency processes, procedures, and response arrangements for severe disruptive events. This activity strengthened coordination, information flows and preparedness across the whole energy system, supporting increased resilience through improved processes rather than end-to-end completion within BP3.

Throughout this work, we maintained secure and reliable operation of the electricity system despite increasing complexity, tighter operating margins and rising levels of

low-carbon generation, and our control room teams continued to run the system safely, efficiently, and transparently.

During BP3, we also worked to ensure we are on track to have the capabilities and requirements in place and facilitate industry readiness to meet the Electricity System Restoration Standard. We advanced the technical and analytical elements required to support restoration, including improvements to restoration modelling, identification of restoration pathways, and development of tools to operate under restoration conditions. This activity has established a clear and prioritised pathway towards meeting the Standard, as reflected in the ESRS roadmap, while recognising that some delivery dependencies extend beyond BP3. This work enhances our ability to respond to extreme events and reinforces wider system resilience.

Overall, during BP3 we improved whole energy system emergency preparedness and resilience by strengthening the capabilities, analysis and coordination required to support industry readiness for the ESRS, while recognising that some elements of implementation and assurance extend beyond the BP3 period.

## Progress on Success Measures this quarter

*Note: Re-baselined dates have been reflected across the Success Measures with a view of original BP3 date shown in brackets for reference.*

**Deliver 95% of capability and arrangements to meet the Electricity System Restoration Standard to restore 100% of Great Britain's electricity demand within five days. (Originally due March 2026, now December 2026)**

BP3 originally targeted delivery of 95% of the capability and arrangements needed to meet ESRS by March 2026. We initiated a review in April 2025 which identified gaps against the core ESRS objectives of restoring 60% of regional demand within 24 hours and full restoration within five days following a GB network shutdown. Therefore, we revised priorities and introduced new activities and major initiatives to better align delivery with ESRS objectives. We are confident we are on track to meet ESRS targets by 31 December 2026. Progress is measured by judgement across multiple activities required by NESO and the industry, prioritising high-dependency items agreed with Ofgem/DESNZ. Our updated approach ensures alignment with ESRS objectives and maintains momentum towards target delivery.

Below we detail achievements during the BP3 period:

**Improved probabilistic modelling** which is key to demonstration of compliance. Industry engagement has allowed us to refine and validate the assumptions which we model. The key area to highlight was securing critical industry commitment through DNOs and Transmission Owners to reduce intervals between block loading processes materially reducing the overall restoration timelines and bringing modelling within the required ESRS standards. To further secure this commitment, we proposed Grid code modification GC0186 which is expected to be implemented ahead of the new standard.

**Regional demand forecasts**, critical for the restoration standard have been delivered and are now published three times per day by Elexon.

**Industry engagement** via seminars, webinars, and guidance documents to ensure secondary generators are fully aware of their role in restoration.

**Recruitment**
Following further analysis, it was concluded that recruiting additional engineers was not necessary. Instead, emphasis has been placed on the ongoing training and exercising of NESO Electricity Network Control Centre (ENCC) engineers. For Transmission Operators (TOs) and DNOs, the assurance framework consultation responses highlighted that this is a managed risk, with continuous training and capability assessments being prioritised over recruitment beyond normal staff turnover.

**Detailed testing and exercising** with our control room to ensure that processes are familiar, thoroughly tested and continuously improved. We are enhancing ENCC readiness through training, exercises, and upskilling of engineers, alongside simulation-based training in the Control Training Unit. Scenario-based exercises with TOs, DNOs, and Restoration Contractors are also being expanded. These efforts ensure processes are well understood and continually improved, supporting new restoration plans at both transmission and distribution levels.

**Tenders for additional restoration providers** have secured four future restoration contracts, and further tenders were launched which are still pending outcomes.

**Distribution Restoration Zones** have been developed with plans to implement four in 2026.

**Improvement in industry resilience**, which has increased significantly due to our guidance, customer engagement and cost recovery process. To establish a robust understanding of generation reliability in a restoration scenario we have, through week 24 submissions (where generators signed to CUSC submit grid code data as per the data and registration code) and various guidance, engaged stakeholders throughout the process. As a result, 80% of generator capacity has confirmed compliance with all ESRS requirements, following validation and assurance activities with industry partners.

**Restoration Decision Support Tool (RDST):** We did not deliver a RDST during BP3, as we opted to strategically align delivery to the Network Control Management System (NCMS), to create a robust foundation. Phase 1 of RDST will be delivered ahead of the restoration standard. While not required for compliance, the RDST will provide significant future benefit as restoration provider numbers grow.

**Inter Control Centre Protocols (ICCP):** We committed to adding three ICCP links to DNO control centres during BP3. Due to a delay caused by a provider change, we completed one link, with two due by September 2026.

**ESRS Assurance Framework consultation:** Following the annual consultation in January, we have received consultation responses and overall positive confirmation of industry readiness. We have since submitted the Assurance framework 2026/27 to Ofgem. While further testing is needed, confidence in meeting the standard remains high.

**Produce the first Energy Resilience Assessment (ERA) by 30 June 2025. We will evidence engagement with a broad range of customers and clearly demonstrate how their feedback has been fully considered in our work.**

In July 2025, we delivered the Energy Resilience Assessment (ERA) to DESNZ and Ofgem. This was our first independent review of the resilience of the GB energy system, fulfilling new licence requirements under Part C of Conditions C6 (Gas) and C7 (Electricity).

As part of the delivery of this report, risks to the energy system that could lead to widespread customer disruption were identified, prioritised, and selected for assessment. Relevant stakeholders were engaged to provide input on each risk. As information was gathered and insights on risk and resilience produced, further feedback was sought, from these industry SMEs on the current level of likeliness, impacts of these risks and clarity on any existing mitigations. Following detailed analysis of the input received, we shared insights and recommendations to improve energy resilience, with the relevant stakeholders. Of our 32 recommendations, 22 are already in progress, and 10 are scheduled to start later to align with existing programmes or resource priorities.

We have already made quick progress on implementing the recommendations. We have developed an initial framework for assessing resilience and security risks, which will continue to be refined and aligned with DESNZ's forthcoming 2026 Resilience Strategy. We are also collaborating with network planning teams to shape a new approach to stress testing the resilience of the future transmission network, which is currently out for consultation.

**Publish the electricity Summer and Winter Outlook Reports by 30 April 2025 and 31 October 2025. We will evidence collaboration with industry partners, including National Gas, which prepares the Gas Winter Outlook, to ensure there are 'no surprises'.**

We published the Summer Outlook 2025 report on 16 April 2025 and the Winter Outlook 2025-26 report on 9 October 2025, in line with agreed timescales and in coordination with National Gas. Alongside the core seasonal publications, we also published an Early View of Winter 2025/26 and a Winter Review and Consultation on 18 June 2025.

These reports support the energy industry in its preparation for the season ahead. The underlying analysis contained within the seasonal outlook supports NESO seasonal preparations, coordinated assessment of emerging risks with strategic partners (including Ofgem and DESNZ) and supports wide industry and international engagement to ensure that the electricity system is prepared for the season ahead and resilient to the various conditions it may face.

In addition to the whole industry launch event, the outlook publications inform security of supply dialogues and operational engagement with neighbouring Transmission System Operators (TSOs). The reports were received positively by strategic partners and neighbouring TSOs.

We made a series of changes to the Outlook reports to enhance understanding, and aid interpretation of the adequacy assessment contained within the report. This included additional sensitivity analysis to highlight the impact of changes to key variables, market uncertainties or material supply disruptions. Our analysis sought to provide greater insight into the likelihood of a low operational surplus materialising and – based on industry feedback – to provide a clear probabilistic assessment of peak seasonal demand.

Our summer outlook analysis effectively forecast the changing nature of low demand periods, the implications of which were shared with industry via operational liaison meetings. They continue to inform seasonal preparations and the development of operational tools to effectively manage seasonal demand.

**Submit to DESNZ and Ofgem the Summer and Winter Readiness Reports by 30 April 2025 and 31 October 2025.**

We submitted the Summer 2025 and Winter 2025/26 Industry Readiness Reports to DESNZ and Ofgem on 30 April 2025 and 31 October 2025, meeting all agreed timelines. Anonymised executive summaries were then shared with survey respondents.

The Readiness Reports assess how prepared the energy industry is for potential seasonal disruptive events, providing assurance to DESNZ, Ofgem and stakeholders on overall readiness and highlighting any gaps or mitigations needed.

The number of organisations surveyed increased significantly compared with the first report, rising from 55 to 69 for Summer 2025 and to 82 for Winter 2025/26.

This broader survey base improved the robustness of the assessments and provided greater assurance to DESNZ and Ofgem. Engagement levels were high, with response rates of 84% for Summer 2025 and 90% for Winter 2025/26.

Both reports included recommendations that were agreed with by DESNZ and Ofgem.

DESNZ agreed to monitor several risks identified through the process, including supply-chain and strike-related risks, while we continue to track risks across successive Readiness Reports.

We followed up on other risks to understand them in more detail, such as a risk on Gas Terminals raised in Summer 2025; DESNZ also used the details of this risk when questioned by ministers about the risks of a heatwave on the energy industry.

Lastly, we have identified best practices across both reports. For example, from the Winter 2025/26 Report, we are expecting follow ups with network owners/operators to address best practices in telephony stress testing.

**Publish the Gas Supply Security Report by 31 October 2025. Recommendations of the *Gas Supply Security Report* will be evidence-based, considering the impact on the whole energy system, and will be adopted by the government and Ofgem.**

We published the Gas Security of Supply Assessment (GSSA) in October 2025. This was the first authoritative, system-wide identification of a material risk to the UK's gas security of supply. Developed through close collaboration with DESNZ, Ofgem and National Gas Transmission (NGT), the assessment presented a unified view that emerging capacity risks require government attention.

Its findings were accepted by DESNZ and Ofgem, and a major catalyst for DESNZ launching a formal consultation on the gas risks, directly influencing policy discussions on future system resilience, market arrangements, and potential mitigations. The report has since become a widely recognised evidence base across government and industry, informing strategic conversations on long-term capacity, resilience, and planning.

The publication received strong stakeholder and media engagement, with positive reception received from future security of supply event attendees for highlighting an often overlooked issue in energy security. Industry responses have largely focused on shaping submissions to DESNZ's consultation, with many organisations seeking deeper understanding of the GSSA's analysis.

The assessment has already influenced operational practice and policy development:

- NGT has adopted elements of the GSSA methodology in its season-ahead reports.
- The report triggered a cross-party review of the application of the N-1 test.
- One key recommendation—expanding assessments to cover the 1- to 4-year horizon—is being taken forward, with NESO set to provide formal advice to DESNZ and Ofgem.

Overall, the GSSA significantly shaped the national conversation on gas security and provided the foundation for coordinated government and industry action.

**Submit the Electricity Capacity Report to DESNZ by 1 June 2025. Recommendations in the Electricity Capacity Report are adopted by government. DESNZ's Panel of Technical Experts remark positively on the quality of the modelling in their published report.**

We submitted the Electricity Capacity Report (ECR) to DESNZ ahead of the 1 June 2025 deadline, in line with legislative requirements, and it was published in July 2025.

The recommendations we set out in the ECR 2025 were supported by the DESNZ Panel of Technical Experts (PTE) who scrutinise our modelling and were accepted by DESNZ. The Secretary of State set auction targets in line with our recommendations and the PTE members remarked positively on our 'open and constructive' engagement in their published report.

A set of development projects since the 2025 Electricity Capacity Report have been initiated to improve the modelling ahead of the 2026 Report including some recommended by the PTE in their 2025 report. The outcomes of these projects will inform the ECR 2026 report.

**Deliver the programme to look at the longer-term resilience of our control operations.**

During BP3 we continued to deliver the programme to look at the longer-term resilience of our control operations and the establishment of a new contingency control centre. We are not providing detailed information in this report for security reasons. Separate BP3 related performance discussions are occurring directly with Ofgem on this project.

Progress on additional Ofgem expectations

**Establish the capability to fully meet Parts A, Energy risk and threat advice, and B, Post-event, and post-emergency analysis, of our Energy resilience and resilience reporting licence condition obligations.**

We have established the capability to fully meet the requirements of Part A, including Threat Intelligence, Risk Management, Horizon Scanning and Assessment of malicious and non-malicious risks and events.

We have completed the first Energy Risk Assessment, covering malicious and non-malicious risks. This identifies, prioritises, and offers recommendations for the most impactful risks to the energy system. We have worked with Ofgem and DESNZ on driving action on recommendations, including further analysis to be included in the 2026 assessment.

We have established the Sector Threat 360 Community, issuing Hybrid Threat and Insider Threat papers, supported by engagement workshops. We have expanded our production and distribution of threat-intelligence products across cyber, personnel and physical risks, supported by broader industry engagement and discussion forums. This supports better awareness and understanding of the security risks that face the energy system, promoting discussion of mitigations and identifying areas for common action.

We have established the capability to fully meet the requirements of Part B, post-event, and post-emergency analysis. We have completed the investigation into the North Hyde event and the Technical Assessment into the Iberian event which were both well received by stakeholders. The North Hyde review had a significant system-wide impact on the energy industry. It elevated NESO's authority and reputation, demonstrating our capability as an independent system operator and strengthening confidence across government, regulators, and industry. The review drove coordinated resilience actions across NESO, Ofgem and government, creating momentum behind improvements in how the sector prepares for, responds to, and mitigates major incidents.

Other key reports in progress include Storm Darragh and Reactive Power. The Review function will support continuous learning and improvements identified from incidents and events shared across the sector, leading to better overall awareness and preparedness.

**Provide the Emergency Processes Assessment to Ofgem and DESNZ by 1 December in line with our licence obligation.**

The EPA was submitted to Ofgem and DESNZ in November. This first-of-its-kind report focused this year on the emergency processes of the electricity industry in response to an extreme heatwave. Through engagement with industry stakeholders via focus groups, workshops, and a survey, where we received a response rate of 90%, we formed a view on current emergency processes, best practices, gaps and provided recommendations. This report has allowed us to develop our approach and capabilities in partnership with the electricity industry, and we will look to include the gas sector and wider stakeholders identified for our 2026 assessment. We will discuss next steps for the findings and recommendations outlined in the report with DESNZ and Ofgem.

**Continue to work on medium-term adequacy modelling, building on the developments made in BP2 including:**

- **the Electricity Capacity Report and the annual cycle of development projects to enhance the modelling; and**

- **adequacy modelling, including assessment of the 2030s, looking beyond the time horizon set out in CP2030 which now includes a new, dedicated assessment of gas supply security to be produced by 31 October each year.**

The ECR report has been published and feedback from the Panel of Technical experts has been positive.

The resource adequacy study for the 2030s was published in July. Feedback from Ofgem has been positive including comments that this was a step beyond what is normally expected and praise for NESO exploring new work streams, such as strategic reserve and cap and floor mechanisms, and for providing independent advice to government.

Progress towards Performance Objective not captured by the Success Measures above

We have established the capability to undertake the review of CNI methodology and assessment of criticality for the downstream gas and electricity sector. Significant engagement with industry and government during this process has led to an improved approach and the production of guidance for the sector which has been well received. The CNI methodology has now been reviewed and recommendations made to DESNZ, who confirmed in January that NESO has provided a reasoned and comprehensive evaluation of gaps in the existing methodology and that proposed revisions will better facilitate the consistent identification and assessment of CNI sites, systems and assets across the gas and electricity sectors. In parallel, we have applied this methodology and led a focused sprint commissioned by DESNZ, working with government, industry, and Ofgem to identify and assess High Impact Points of Failure on the gas and electricity networks. This work underpins the CNI Review which will be carried out in 2026.

Alongside our partners DESNZ, Ofgem and National Cyber Security Centre we have developed the Energy Sector Cyber Security Strategy, setting out a coordinated approach to prioritising the most impactful initiatives and strengthening cyber resilience across the sector. This is a key factor in determining and driving meaningful change across the energy system.

We have established strong relationships with international peers and partners, building trust to encourage open sharing of information and best practice and identify opportunities for ongoing coordinated action and practical collaboration between both industry and government. This engagement supports NESO's efforts to understand the dynamic threat landscape, identify the risks this poses to the GB energy sector and propose recommendations to address how we protect energy systems from malicious threats now and in the future.

We published our study assessing Resource Adequacy in the 2030s in July 2025. This was delayed from BP2 as we needed to prioritise delivery of, and align this study with, Clean Power 2030. This report set out to identify the potential risks to electricity security of supply and identify the resources needed to mitigate them as the power system decarbonises through the 2030s. This study showed the growing importance of understanding weather-related risks. We have since established a partnership with the Met Office to enhance our capability in this area. This study also identified a requirement for unabated gas generation throughout the 2030s. DESNZ consulted on potential reform to the Capacity Market, including a proposal for a Multi-price Capacity Market. While this proposal has not

been taken forward, it is evident that DESNZ are considering longer-term policy to support this requirement.

This year, we initiated the development of industry protocols for specific disruptive events, strengthening resilience and security of supply through coordinated, industry-wide response arrangements. These protocols provide clear guidance to energy sector organisations on how to operate during disruptive events, improving preparedness and system coordination. Two protocols have been delivered to date—the Demand Control Rotation Protocol (for use during an electricity supply emergency) and the Space Weather Industry Protocol (for use during a severe space weather event)—with development of an Embedded Generation Control Protocol (for use during periods of severely low electricity demand) now underway. Where required, we have also raised and progressed consequential industry code modifications to ensure new requirements are formally embedded. Delivered in collaboration with industry, these protocols enhance the sector's ability to prevent, withstand, respond to, and recover from disruptive events, helping to minimise impacts on consumers as far as practicable.

| Performance Objective | End-Scheme Status |
|---|---|
| **Operating the Electricity System**<br>We will transparently operate a safe, reliable and efficient system throughout BP3, while continuing to transform the capabilities of our people, processes and systems to enable secure zero-carbon operation of the system by the end of 2025. |  |

End-Scheme position on delivering this Performance Objective outcome

During the BP3 period, we transparently operated a safe, reliable and efficient system, while continuing to transform the capabilities of our people, processes and systems. In parallel, we demonstrated increasing operational capability to support secure zero-carbon operation of the electricity system. This Performance Objective required us to maintain high standards of real-time operation through a period of growing system complexity, while progressing the operational, digital and organisational changes associated with a rapidly decarbonising system.

In June and September 2025, the system experienced short-duration voltage excursions outside statutory limits. These events have been thoroughly investigated and led to the establishment of the Voltage Taskforce, which is delivering innovative whole-system methods for managing challenging voltage situations in targeted locations. These actions contributed to strengthening operational readiness during BP3.

Throughout BP3, we operated the electricity system securely and reliably despite tighter operating margins, increased volatility and rising volumes of low-carbon generation. Our control room teams continued to manage real-time conditions safely and efficiently, supported by enhanced forecasting, modelling and operational insight. We maintained transparent operational processes and reporting, providing stakeholders with clearer visibility of system conditions and operational decision-making as complexity increased.

We also progressed work to improve the efficiency of system operation. During BP3, we strengthened our approach to managing balancing costs through targeted operational actions, including improved constraint analysis, enhanced analytical capability and improved transparency of cost drivers. We continue to engage closely with DESNZ, Ofgem and industry on initiatives to reduce balancing costs and increase system flexibility, including through the Reformed National Pricing (RNP) programme. Through targeted initiatives, we have delivered over £514m of direct balancing cost savings during the first 11 months of this year. This included deeper analysis of constraints and closer engagement with government, the regulator and industry to support a shared understanding of emerging system pressures. These activities informed the development of longer-term approaches to cost reduction, which continue beyond BP3.

In parallel, we advanced the operational capability required to support secure zero-carbon operation. During BP3, we experienced sustained periods of very high zero-carbon operation and identified potential operating windows where full zero-carbon operation could be achieved under certain system conditions. While full zero-carbon operation remains contingent on the generation mix delivered by the market, the actions taken during BP3 strengthened our readiness to operate securely at very high levels of

zero-carbon generation when those conditions arise, and informed further development of our zero-carbon operability capability.

Digital transformation was a key enabler of this progress. During BP3, we implemented enhancements to control room systems, including early capability within the Network Control Management System and improvements delivered through the Open Balancing Platform, as well as modelling enhancements and data infrastructure developments that improved situational awareness and decision support. Programmes focused on frequency risk, stability and network services were progressed, strengthening our ability to manage a system with higher levels of variable and less synchronous generation. These enhancements represent partial delivery of longer-term capability development that continues beyond BP3.

We also progressed work to strengthen system resilience and operational transparency. During BP3, we advanced modelling, including enhancements supporting the Electricity System Restoration Standard, alongside restoration pathways and tools to improve preparedness for extreme system events. In addition, we strengthened the transparency and management of skip rates, accompanied by a reduction in overall skip rates from 42% in April 2025 to 30% in March 2026. This improvement was supported by enhanced analysis, improved tooling and industry engagement, supporting more informed operational decision-making while recognising that further work continues beyond BP3.

Taken together, the actions progressed during BP3 demonstrate how we transparently operated a safe, reliable and efficient system, while continuing to transform our people, processes and systems to support secure zero-carbon operation of the electricity system.

End-Scheme position on Success Measures

**By the end of 2025, we will demonstrate our ability to operate the system carbon-free whenever electricity markets provide a zero-carbon solution. We will measure this through reporting against the Zero Carbon Operability Indicator (BP2: RRE 1F) and the Carbon Intensity of NESO Actions (BP2: RRE 1G).**

We have increasingly demonstrated our ability to operate the system carbon-free. This has been a progressive build since the original ambition was launched in 2019. Since then, the delivery of projects to change how stability services are procured, the technologies used to provide these services, alongside changes to our frequency management processes have resulted in NESO being capable of operating the system at increased carbon-free levels for longer periods. While this capability is now in place, we have not been able to demonstrate this capability as the required system conditions have not aligned at the right time.

Our internal analysis showed a potential window for zero carbon operability between October and December 2025. This was based on the projects and services delivered to date, for example Dynamic Response products, Pathfinder Stability Services, and those due to deliver over the remainder of 2025. Collectively, these projects, along with contributions from the generation mix, enable the stability requirements of the system to be met by zero carbon assets – under certain conditions. Initially, this operability window is limited to a specific demand range, but it will expand over time as more enabling projects deliver. For example, there are further Stability Pathfinders set to deliver over 2026, and having

submitted the additional information requested by Ofgem we await their decision on the Frequency, Response, and Control Report 2025.

To demonstrate this capability in practice, three conditions must align: a 100% zero carbon generation mix must be available, at the right level of consumer demand, with system stability requirements that can be met by zero carbon technologies. While the market has delivered very high shares of zero carbon generation on multiple occasions, and reached 100% in February 2026[12] (based on the latest data), these periods did not coincide with conditions in which the system could be operated 'carbon-free'.

While opportunities to operate with a 100% generation mix have been limited, we have realised significant progress. We have operated the system with increasingly high levels of zero carbon generation, doing so more frequently, and for longer durations, showing that the required capability is in place.

In April 2025, a new record was achieved with the system operating at 97.8% zero carbon. This was not an isolated event and the monthly maximum ZCO exceeded 95% in 9 months of 2025-26. Across the year, the system operated:

- above 95% ZCO for 108 settlement periods,
- between 90–95% ZCO for over 1,600 settlement periods, and
- between 80–90% ZCO for approximately 4,400 settlement periods.

This illustrates how in partnership with industry, the generation mix, and stability tools needed, have been delivered to operate with more of the zero-carbon generation available at any given time, and to do so more often, for longer durations. This capability is a milestone towards Clean Power 2030. We have shared this capability through our industry and media engagement, and through the updated visualisation in the NESO App.

**We will further develop and implement initiatives from our Balancing Cost Strategy to demonstrate cost efficiency through the Balancing Cost metric (BP2: Metric 1A). In consultation with industry, we will publish an updated Balancing Cost Strategy by June 2025.**

**(Additional Ofgem Expectation) The successful delivery of the Balancing Cost Strategy Success Measure must include NESO clearly demonstrating evidence of working with stakeholders to explore, develop and assess innovative solutions to minimise drivers of balancing costs and increase flexibility.**

Total balancing costs for 2025/26 were £3,093m, representing a 14% rise on last year, driven predominantly by an increase in system constraints. Although costs have risen, this figure also includes savings delivered through our Balancing Cost Strategy.

We published our latest Balancing Cost Strategy on 12 June 2025 along with the Annual Balancing Costs Report. This report was a was a key driver for the Reformed National Pricing (RNP) Constraints Management Workstream, ensuring that Ofgem, DESNZ, and NESO are continuing to focus on constraints via a significant governance programme. We continue to engage closely with DESNZ, Ofgem and industry to explore, develop and assess

[12] Note these data can and do change as 'settlement data' is updated. This may mean the 100% Zero Carbon Generation Mix referred to in February 2026 is changed in future reports.

initiatives to reduce balancing costs and increase system flexibility, including through RNP. Earlier this year we also launched a Call for Input on Balancing, Settlement and Dispatch reforms within the RNP programme calling for industry input on proposed reforms significant to balancing costs. In addition to this, we continue to develop new initiatives and enhance existing services from our balancing cost strategy to support lower costs. Since becoming operational in January 2025, the Greenlink interconnector has delivered £15.8m of savings in 2025/26 through our use of the Greenlink converter station to provide voltage support in the South West, reducing the need for conventional voltage management actions. We continue to be proactive in managing changing system conditions, including trialling and progressing constraint management services such as the Constraint Management Intertrip Service (CMIS). Our analysis has also underpinned the Demand for Constraints stakeholder engagement.

Between April 2025 and February 2026, we delivered £514m in savings across key initiatives from our Balancing Cost Strategy. These savings are calculated by comparing the cost of actions taken through these initiatives with known counterfactuals (which in most cases is taking equivalent actions in the BM). This includes £119m from Network Services, £203m from trading actions, and £159m from reduced inertia requirements under FRCR. £34m in further savings have also been delivered through DFS and Balancing Reserve.

We have also reviewed the impact of reactive equipment outages and identified that an additional £133m could have been saved between April 2025 and February 2026 if outages had not arisen. This analysis has supported conversations with Ofgem and the Transmission Owners on strategies to better manage unplanned outages.

In parallel, we are working with internal and external partners to explore innovative approaches to reducing balancing costs. This includes projects such as Dispatch Transparency Programme, Volta, and Network Topology Optimisation.

Thermal constraints currently make up the largest share of balancing costs (~60%). During BP3, we have worked closely with Network Operators and other industry participants to optimise outage placement and drive improvements to the overall planning process - enabling system access for vital reinforcement work, whilst driving down the cost of thermal constraints. The Government's Summer 2025 Review of the Electricity Market Arrangements (REMA) set out the decision to move forward with RNP. Through this programme, we're working with DESNZ and Ofgem to prioritise and progress constraint management initiatives with the greatest potential for cost reduction, while ruling out less effective options.

As part of the Balancing Cost Strategy, we are also progressing initiatives to further reduce non-thermal constraint costs through strategies to manage voltage and inertia. This includes new voltage and stability network services and reforms to FRCR, which reduced minimum inertia requirements from 140 GVA.s to 120 GVA.s, which have saved £159m across 2025/26. A further proposed reduction to 102 GVA.s. is expected to deliver further estimated annual savings of up to £96m.

The balancing cost for Q4 was £879m. Please see the Reported Metrics Annex and previous incentives reports for further updates related to the Balancing Costs metric.

We continue to engage with DESNZ, Ofgem and industry through formal governance, trilateral meetings and NESO's Operational Transparency Forum to support delivery of the Balancing Cost Strategy. This includes ongoing engagement with industry stakeholders specifically on our constraint management strategy, to support an open dialog on the topic and continue to explore and assess solutions in this space.

**In December 2024, we published a skip rate methodology and delivery plan alongside a continuous skip rate measure on our data portal. We will develop this further into a detailed delivery programme and roadmap ahead of BP3, aligning it with our dispatch strategy. During BP3, we will deliver all commitments within our delivery programme and roadmap to reduce skip rates, providing transparency by continuing to report against the skip rate measure.**

**Additional Ofgem expectations:**

- **By the end of BP3, deliver a substantial reduction in skip rates with a target of relative parity across technology types.**
- **Publish timely, accessible and accurate skip rates data using both the existing 5-stage post system action methodology and any updated methodology agreed with industry.**
- **We expect NESO work closely with industry to develop and set an absolute numerical target for skip rates within the BP3 period.**
- **We expect NESO to develop and share a methodology to measure the skip rate of actions taken to manage system constraints.**

During BP3, we achieved a clear improvement in skip rate performance and strengthened transparency around dispatch outcomes. Overall skip rates fell from 42% in April 2025 to 30% in March 2026. Performance also improved year on year, with skip rates in January and February 2026 around 12 percentage points lower than the same months in 2025.

The reduction in skip rates followed the introduction of improved control room tooling and better cross-zonal visibility, supported by a clearer understanding of the drivers of skips.

Improvements were seen across several technology types, particularly batteries and CCGT, alongside continued growth in battery capacity. With the exception of technologies with very low participation volumes, skip rates are now broadly aligned across technology types. Where month-to-month volatility remains, this reflects low in-merit volumes rather than persistent differences in dispatch outcomes.

Throughout BP3 we continued to publish skip rate data using the agreed five-stage methodology, alongside expanded technology-level reporting and supporting dashboards. We also introduced a refinement to exclude Mandatory Frequency Response, published as an additional stage, while retaining stage 5 data to maintain a consistent baseline for tracking trends over time.

A skip rate target was developed using observed performance trends and stakeholder feedback. The initial target proposed was a PSA stage 5 skip rate of 30% by the end of June, which is when the Grid Code modification for state of energy parameters goes live and will result in a change to the methodology. We presented this to stakeholders in

January. The main feedback received was that the target was not sufficiently stretching. Considering the feedback, the observed trends in skip rates, and that until GC0166 is implemented there are no other significant deliverables targeted at skip rate reduction, we revised this to be an average skip rate of 30% between January and June 2026. This represents a 10 percentage point reduction on the average skip rate of 40% between January and June 2025.

We also agreed a methodology for measuring skips behind constraints, aligned with the principles of the energy skip rate methodology, and published a summary of the approach. Implementation is underway, with further detail to be published following delivery.

Most commitments within the Dispatch Transparency Programme roadmap were delivered during BP3, including the strategic review of scheduling and dispatch, root cause analysis, materiality assessment, tooling improvements and methodology refinements. Where delivery extended beyond initial timelines, this reflected dependencies and sequencing rather than a change in scope. Taken together, these actions supported the sustained reduction in skip rates and delivery of the success measure.

Further detail supporting this success measure, including agreed BP3 commitments, skip rate methodology development, technology-level data and monthly performance trends, has been provided to Ofgem through BP3 commitment briefings and is published via Operational Transparency Forum materials and our monthly RIIO-2 performance reporting.

**In BP3, we will deliver new products and capabilities in accordance with our Balancing Programme, following our industry-agreed roadmap.**

During BP3, we have delivered new products and introduced balancing and forecasting capabilities in accordance with the Balancing Programme Roadmap. Through these deliveries, we have created significant value for customers while maintaining the resilience and performance of existing services during the transition to the Open Balancing Platform (OBP). Key achievements included delivery of the OBP Strategic platform, enhanced dispatch capability, two new market services (non-BM Quick and Slow Reserve), and a new national demand model. Together, these deliveries enable the decommissioning of the Ancillary Services Dispatch Platform (ASDP) and the Energy Forecasting System (EFS).

During BP3, we also delivered several key IT investments aligned to our industry agreed roadmap, as outlined below.

**Enhanced Balancing capabilities**

Across BP3, we delivered 25 OBP releases, comprising 424 features delivered through a high volume of incremental system changes. Notable deliveries included the high availability, high resilience OBP Strategic platform and the National Dispatch Optimisation (NDO) capability. NDO is now ready to run in parallel with the BM Dispatch Advice algorithm, providing more efficient dispatch advice.

Balancing capability within OBP was enhanced to enable bulk dispatch across service types, by price stack and within constraints. With all instruction creation enabled in OBP, the Control Room now has, for the first time, both BM and non-BM units within a single,

harmonised system. This enables new functionality, such as a combined price stack, to support more efficient dispatch.

In response to customer feedback, the Electronic Data Transfer/Electronic Dispatch & Logging (EDT/EDL) network resilience design was strengthened through the introduction of automatic failover between primary and secondary routes, replacing the manual failover approach used in the BM. As a result, the transition of EDT/EDL to OBP was re-sequenced from Q4 2025/26 to Q1 2026/27 to allow completion of additional network and software changes required to support the new design. Market participant testing is ongoing ahead of cutover in NESO1.

Enhancements to the Contingency Logging System (CLOGS) will align with this transition and will continue to operate across OBP and BM to maintain contingency coverage. Capabilities to support Grid Code change GC0166 (Introducing New Balancing Mechanism Parameters for Limited Duration Assets) were also developed and tested during BP3, ahead of planned implementation in Q1 2026/27.

**Ancillary services**

We have made substantive progress towards retiring the ASDP by consolidating its functionality within OBP. Delivery of non-BM Quick Reserve in 2025 supported the retirement of Fast Reserve on ASDP, while migration of non-BM Dynamic Response to OBP was completed in Q4. Functionality enabling Slow Reserve went live on 1 April, supporting the retirement of the Short-Term Operating Reserve (STOR) service.

These services enhance system resilience by enabling controlled post fault recovery and expanding opportunities for participation across a wider range of assets and markets.

The transition of MW Dispatch to OBP was initially rescheduled from Q4 2025/26 to Q1 2026/27 to allow time for completion of required dependencies within NESO. MW Dispatch was subsequently transitioned to OBP in April 2026, marking the retirement of ASDP. This has reduced technical debt, simplified operations, and improved overall system resilience.

**Real-time prediction**

We have fully delivered the Real-Time Prediction (RTP) tool in OBP, with early results indicating significant improvement in performance and resilience compared to the legacy demand prediction tool. This is supported by an autonomous prediction algorithm that generates live accuracy metrics supporting user confidence and adoption.

**Forecasting enhancements**

In Q4, we delivered a new National Demand Forecast Model within the Platform for Energy Forecasting (PEF). We enhanced and extended our solar forecasting capability by incorporating an additional 2 GW of BMU solar into the forecast fleet. We also began publishing regional demand forecasts to support the BSC code modification P480 (Publication of regional demand forecast data to fulfil ESRS Reporting), delivered in June 2025.

Targeted regional forecasting enhancements were prioritised based on control room feedback, particularly in areas where voltage issues had been identified, with initial MVAr related considerations incorporated through this regional focus. Wind and solar dashboards with half hourly granularity were delivered to improve real time situational

awareness. In parallel, delivery continued against the EFS retirement strategy, enabling the decommissioning of the EFS application in April 2026.

**Balancing asset health**
Throughout BP3, we maintained the stability and performance of the existing BM legacy systems while progressing the transition to OBP. BM system performance was actively monitored through operational reporting, with issues addressed through targeted mitigations. Targeted technical performance improvements were delivered, including enhancements to profiling processes for bulk EDL operations.

In parallel, we enabled key service transitions, including replacement of the STOR service with the new Slow Reserve service. This approach mitigated transition risk and supported stable balancing operations during a period of significant platform change.

**Continuous improvement in forecasting is vital to ensuring we make informed decisions across all timescales. We will continue to publish our performance in this area through the Demand Forecasting metric (BP2: Metric 1B) and Wind Generation Forecasting metric (BP2: Metric 1C).**

**Enhanced forecasting capability is key to enabling secure and economic balancing decisions through the energy transition. We will develop and publish our Forecasting Strategy for consultation by October 2025, followed by a corresponding delivery plan by February 2026. We will implement any initiatives specified in our delivery plan that are due within BP3.**

See the Reported Metrics Annex for updates related to the Wind and Demand Forecasting metrics.

The Wind Forecasting Metric exceeded the indicative benchmark for BP3, and we have released numerous upgrades to our forecast models and platform through the year.

The Demand Forecasting Metric has not met the indicative benchmark for BP3, as work has focused on building a new suite of Artificial Intelligence/Machine Learning capabilities. Work on this has not progressed as expected and been hampered by NESO Migration activities, but we expect their release for operational use this coming quarter.

We published our Energy Forecasting Strategy consultation in November 2025. Following engagement with industry, an associated Delivery Plan was developed and incorporated into the updated Energy Forecasting Strategy, which was published on 25 March 2026.

We have successfully constructed our Restoration Demand Forecast capability and released seasonal enhancements to the Restoration Zone (R-Zone) forecasts, to facilitate the GC0156 Electricity System Restoration Standard. This product offers a more accurate (seasonal) forecast of each R-Zone target to restore. Further potential improvements have been identified, and they will be scheduled and delivered against other priorities.

We still continue to make tactical improvements to the ~400 Grid Supply Point (GSP) forecasts used in the Network Access Planning (NAP) & Electricity National Control Centre (ENCC) functions, while also developing the features for their strategic replacement. These improvements do not directly enhance the Forecasting Metrics but gradually allow the

business functions to consume more accurate forecasts for network analysis purposes, enhancing situational awareness and adherence to SQSS standards.

Enhanced features (weather blending) for the wind forecast model have been deployed in production and we expect further feature-releases (wind direction) imminently. These upgrades offer an immediate 5-10% improvement on the monthly Wind Generation Forecasting Metric accuracy, while also increasing the resilience of the wind forecast product. Offshore wind forecasting remains challenging, and we continue to explore partnerships that will improve those core weather forecasts.

A next-generation solar forecast model has been deployed that consumes the latest Numerical Weather Prediction (NWP) weather forecasts. It is a foundation-release and offers limited immediate performance benefit. However, we plan to develop further upgrades (spacial-aggregation) to the irradiance-processing component in Q2 2026-27. Day Ahead Solar Forecasting remains extremely challenging under certain weather conditions and lead times.

We are developing an independent pair of next-generation *National Demand* forecast models (nTFT and NDFT) and we anticipate the first model to be available for operational use in Q1 2026-27. These models will function side-by-side to provide a consolidated Demand forecast. We have also successfully trialled the benefits of consuming commercial forecasts from external vendors, and we expect to procure a strategic partner in Q1 2026-27. Integration of these external forecasts is anticipated by Q3 2026-27.

We have engaged with the Met Office, with an aim to enhance future weather forecasts that are pertinent to the Electricity Supply Industry, and to improve future energy forecasts.

We are also in exploratory discussions with a DNO, with a potential aim to undertake distribution-level renewable forecasts on their behalf. NESO was approached, following the stakeholder sessions undertaken during the Energy Forecasting Strategy preparation.

We have made upgrades to the reporting of BESS assets and plan to release that in Q1 2026-27. This will provide consumers with a richer and more accurate view of Transmission System Demand (TSD).

**As the electricity system in Great Britain evolves, we will transform the capabilities of our people, processes and systems and continue to deliver economic and efficient real-time operation of the electricity transmission system, as measured through the Security of Supply reporting evidence (BP2: RRE 11).**

As the electricity system continues to evolve, we maintained secure and economic real-time operation by progressing targeted improvements to operational tools, processes and ways of working. These changes supported effective decision-making in an increasingly complex operational environment, including higher volumes of decentralised and low-carbon generation.

There were 0 frequency excursions during April 2025 to March 2026.

There were 2 voltage excursions during April 2025 to March 2026.

In June and September 2025, the system experienced brief voltage excursions outside statutory limits. These events had no detrimental impacts to external customers or

stakeholders. However, they have been thoroughly investigated and led to the establishment of the Voltage Taskforce, which is delivering innovative whole-system methods for managing challenging voltage situations in targeted locations. For further details see our Q2 and Q3 reports.

There were no instances of system frequency operating outside statutory limits during the reporting period.

We undertook focused reviews of operational and dispatch arrangements to identify opportunities to improve efficiency and system security (including the Future Control Strategy and Dispatch Strategic Review workstreams).

Over the last year considerable analysis and stakeholder engagement has been carried out to develop new people capabilities to directly support the Control Room. These capabilities have been developed as part of the Future Control Strategy workstream and in line with our Digitalisation Strategy and specific system enhancement projects (i.e. NCMS and OBP). Following on from learning gathered in 2024/25, the Future Control Strategy developed proposals for new capabilities and refined them with input from key stakeholders. This included developing the key capability themes identified in earlier change impact assessments, sense checking and iterating suggestions and using a series of working and steering groups to ensure the proposals best reflected the needs of the ENCC as well as the capability and growth of other parts of the business. Data Specialists (x2) and Market Insight Analysts (x2) will be embedded in to Control Room operations between April and September 2026 to support the effective flow, validation and presentation of relevant data as well as monitoring of market leading indicators to derive insight to improve timeliness (and ultimately cost) of some balancing actions. Output from this work is being taken forward through existing operational improvement activity, including enhancements to how constraints are managed ahead of real time and how dispatch actions are prioritised.

We also trialled closer integration between day-ahead planning and real-time operations, which improved coordination, situational awareness and management of faults and unplanned outages. In parallel, an additional Assistant National Balancing Engineer (aNBE3) was introduced to assist with dispatching the growing number of small units and battery units in particular, and over the last year has become an integral part of the energy dispatch team.

Together, these capability and process improvements supported secure and economic real-time operation of the transmission system, as reflected in the Security of Supply outcomes reported for the year.

### Progress on additional Ofgem expectations

Progress against additional expectations related to balancing costs and skip rates is covered above under the associated Success Measures.

| Progress towards Performance Objective not captured by the Success Measures above |
| --- |
| **Operational Metering Standards**<br>Consumer Energy Resources (CERs) can now join the Balancing Mechanism, after reviewing metering standards and relaxing the 1Hz requirement for units above 1MW. This change followed industry feedback and modelling, enabling wider CER participation and supporting CP30 targets. |

| Performance Objective | End-Scheme Status |
|---|---|
| **Connections Reform**<br>We will drive delivery and implementation of a reformed connections process that enables projects needed for 2030 and beyond to connect in a timely and coordinated manner. |  |

End-Scheme position on delivering this Performance Objective outcome

We consider that we have partly met this outcome. During BP3 we set out to deliver and implement an ambitious reformed connections process capable of enabling projects needed for 2030 and beyond to connect in a timely and coordinated manner. We assess this outcome as partly met. While the full impact on connection timelines will be realised beyond BP3, the period delivered the core structural, governance and methodological changes needed to transition away from a first come first served approach toward an approach that prioritises projects aligned with system need.

A central element of this reform was the restructuring of the connections queue to support delivery of Clean Power 2030. During BP3 we implemented the Ofgem approved 2 Gate Criteria, Project Designation methodology and Connections Network Design methodology, applying these through the Gate 2 to Whole Queue process (G2TWQ). This resulted in publication of a reformed queue defining a more deliverable pipeline of generation, storage and demand projects aligned with system requirements. This represents a fundamental shift in how projects are prioritised and provides a more robust foundation for coordinated transmission network planning.

Consistent with our BP3 plan, the reform reduced the volume of projects progressing through the process to one more closely aligned with project readiness and strategic value. Delivering this required substantial updates to data quality, assurance and governance arrangements, combined with extensive customer engagement. Queue publication was completed during BP3 following significant assurance activity designed to support confidence in the outcomes.

While the reformed queue was delivered during the period, issuance of revised connection offers did not complete to the original timetable. Detailed whole-system engineering re-design and coordination activity across transmission and distribution networks was identified during assurance and engineering review. This additional engineering activity resulted in revised delivery timelines. NESO, TOs and DNOs agreed a jointly owned delivery plan, with all revised offers and the Gate 2 to Whole Queue process due to complete by March 2027. Offers began being issued during BP3, but the full effect of the reform on connection timeliness could not be realised within the period.

While revised connection offers were not fully issued within BP3, we have no evidence to suggest that the delay in issuing offers will, in itself, prevent projects within the reformed queue from connecting in time to support Clean Power 2030. The principal impact of the revised timetable is on the formal confirmation of connection dates rather than on the underlying deliverability of the pipeline. The queue reform was explicitly designed to

reduce speculative or undeliverable projects and to reduce downstream re-work risk, and this intent remains unchanged notwithstanding the extended delivery timeline.

The reform process created challenges for customers during the submission and assessment stages. Data quality issues, portal access challenges and higher than expected levels of engagement and work increased uncertainty. In response, we strengthened customer support, increased communications, deployed targeted internal and external resource, and extended the submission window to ensure all customers wishing to participate were able to do so. These actions helped stabilise delivery following early challenges; however, customer experience during this period and in the following offer period remained mixed and did not consistently meet expectations.

Overall, BP3 established the foundations of a reformed connections process that prioritises projects needed for 2030 and beyond and supports more coordinated connection planning. While downstream delivery extends beyond BP3, the structural and governance changes required to enable timely and coordinated connections are now in place, providing a credible platform for continued delivery.

End-Scheme position on Success Measures

*Note: Re-baselined dates have been reflected across the Success Measures with a view of original BP3 date shown in brackets for reference. These were agreed in February 2026 with Ofgem.*

**100% of projects entering the Gate 2 to Whole Queue process will have connection offers (originally December 2025; rebaselined to) March 2027**

We believe that we have partially met this success measure. Under the original BP3 plan, revised connection offers for projects entering the Gate 2 to Whole Queue process were expected to be issued by December 2025. Following publication of the reformed queue, detailed whole-system engineering and assurance activity identified a greater level of network re-design and coordination work than originally anticipated across transmission and distribution networks. This additional engineering activity was required to ensure that offers would be accurate, coordinated and deliverable, and it drove a revised delivery timeline to March 2027.

Subsequent assurance confirmed the need for a strengthened whole system delivery plan developed jointly with TOs and DNOs. This plan updates completion of all remaining offers to March 2027. Offers began being issued in February with phased issuance continuing through 2026 and early 2027.

We acknowledge that we did not issue 100% of offers by the original December 2025 deadline. While delivery is aligned with the revised March 2027 timetable, full completion of this measure extends beyond the BP3 period. As such, we assess this Success Measure as partially delivered at end-scheme.

**During the connection reform process, support customer engagement through transparent and clear communication.**

**Provide enhanced support for customers via the Connections Reform Hub, hosting industry webinars, and using a range of other communication and outreach channels.**

We believe we have partially delivered this Success Measure.

During BP3, particularly through the submission window and subsequent assurance activity, customer demand for support was significantly higher and more sustained than anticipated. While we increased resourcing, communications and engagement in response, we recognise that customers did not always experience the clarity, responsiveness or timeliness that they would reasonably have expected. Feedback indicates frustration with response times and with understanding aspects of the process at key points.

We anticipated strong customer reactions to the queue results and put in place a public facing comms plan alongside a customer handling strategy focused on clarity and transparency (including explaining outcomes in the context of the overall results). Customers were notified in early December of Gate 1/Gate 2 status and whether projects were pre-end 2030 or post 2030 (aligned to CP30).

Customer service and support were strengthened through a more structured "front door" approach using Connections Reform Hub and support teams, improved self-serve content, such as Help Centre, FAQs, webinar recordings, joint guidebook, and a formal query/complaint handling plan, with cases tracked in a dedicated Salesforce query management solution.

Webinars and customer support during the submission window issues were materially increased. NESO planned weekly 90 minute webinars plus 10 on demand videos over an 8-week period and moved to a higher cadence model when portal issues arose.

These actions helped mitigate risks to customer participation and supported delivery; however, customer experience did not consistently meet expectations throughout the period. In response to portal access and data challenges, NESO established a dedicated taskforce and delivered regular updates alongside proactive support measures to help customers submit their applications. NESO reiterated its commitment to undertake actions needed to facilitate the submission process for customers wishing to make an application.

We incorporated lessons learned from the submission window into internal processes and prioritised further portal enhancements however, customer experience during BP3 remained mixed and did not consistently meet expectations.

**By March 2027 (originally March 2026 before re-baselined) provide revised connection offers aligned with the new methodologies approved by Ofgem. These offers will reflect the technological and locational mix required to deliver a queue of projects capable of supporting the government's Clean Power 2030 Action Plan.**

As part of the Ofgem approved Connections Reform programme, NESO and network operators are responsible for delivering revised connection offers aligned with the new methodologies and technological and locational assumptions underpinning Clean Power 2030. While all revised offers have not yet been issued, a clear, jointly agreed delivery plan is now in place and fully aligned with Ofgem's expectations.

Following queue formation, NESO, TOs and DNOs identified whole-system engineering re-design and coordination activity across transmission and distribution networks that required further assessment to ensure offers are accurate, deliverable and coordinated

across the whole system. As set out in the January joint statement, this work required updating the delivery timeline to March 2027, with phased issuance throughout 2026 and early 2027.

The revised approach supports phased issuance and continued coordination across the whole system. While delivery is aligned with the revised March 2027 timetable, full completion of this measure extends beyond the BP3 period. As such, we assess this Success Measure as partially delivered at end-scheme.

**By March 2026 design an approach to accelerate strategic demand projects leading to improved connection times. To include identifying and consulting on amendments to connection methodologies to support strategic demand identified by government.**

We consider that this Success Measure has been delivered in substance against its intent by March 2026, with further design and implementation activity continuing beyond BP3. The development of a final, end to end design has been inherently complex, involving strong and sometimes divergent stakeholder views and a necessary sequencing of government policy decisions ahead of detailed methodology changes.

Engagement with DESNZ and Ofgem has advanced significantly during the BP3 period. This has included joint working to define the scope and policy intent of strategic demand acceleration, and to identify the regulatory and methodological changes required to enable earlier and more targeted prioritisation within the connections framework. As a result of this work, government issued a policy consultation on accelerating electricity network connections for strategic demand on 11 March 2026. The consultation covered the proposed use of Planning and Infrastructure Act (PIA) powers, demand-side prioritisation mechanisms, and the strategic alignment of data centre connections.

The consultation represents a critical milestone in the delivery of this measure. It will set out the government's proposed approach to identifying and prioritising strategic demand and will provide the policy direction required for us to implement supporting changes to connection methodologies. We have worked closely with DESNZ and Ofgem to ensure that the consultation proposals are capable of being operationalised.

Subject to the outcome of the March consultation, we will move to consult on the required methodology changes, enabling implementation of the prioritisation framework later in 2026. This phased approach ensures that policy intent, regulatory approval, and operational delivery remain aligned, and that acceleration of strategic demand is introduced in a controlled and evidence-based manner.

Overall, our work on this measure demonstrates a coordinated approach across government, the regulator, and the system operator to enable strategic demand to connect more quickly, while safeguarding the integrity of the reformed connections process and supporting delivery of wider industrial and energy system objectives.

**Invest further into a fully customer-centric Connections Portal.**

We believe we have partially delivered on this Success Measure.

Notwithstanding continued investment and development, customer experience of the Connections Portal during BP3 was mixed. Issues relating to data quality, access and usability during the submission window contributed to customer frustration and increased support demand. We acknowledge Ofgem's feedback that further stakeholder evidence is required to demonstrate enduring improvements in user experience and will address this as development and engagement continue beyond BP3.

During BP3, NESO continued to invest in and develop the Connections Portal as part of Connections Reform, with a focus on supporting transparency and operational coordination. The portal was used throughout the submission window and subsequent queue reformation activity. During this period, customers raised issues relating to data quality, access and usability, which increased support demand and required operational workarounds.

Following the submission window, further changes were made to the portal, including automated notifications and additional information to support communication of outcomes. Over 1,500 queue formation results and related communications were issued directly to customers through the portal. Further development is underway to improve reliability, data quality and usability for future application windows.

Good progress has been made in preparing the portal for future application windows. Requirements definition, design, build and testing are underway to support engineering assessments and the creation of connection offers. Development and testing are also progressing to enable the issuing of Securities and Fees, alongside the go-live of the Construction Planning Assumptions master register for use with Transmission Owners.

In parallel, NESO has undertaken high-level discovery and shaping activity to inform the scope and deliverability of future portal releases, including improvements to customer query and complaint management. This includes the use of AI-enabled tools to support query prioritisation and response. These investments will ensure the portal continues to evolve as a customer-centric platform capable of supporting the enduring connections process beyond BP3.

| Performance Objective | End-Scheme Status |
|---|---|
| **Clean Power 2030 Implementation**<br>We will play a pivotal role in securing clean power for Great Britain by 2030 on the path to net zero by 2050. Building on our 2024 advice to government on pathways to a clean, secure, operable and deliverable electricity system, we will move to action and implementation in line with the government's CP2030 action plan. |  |

End-Scheme position on delivering this Performance Objective outcome

We consider that we have met the Clean Power 2030 Implementation Performance Objective. A core feature of our approach has been to position the Clean Power 2030 Performance Objective as a strategic integration and coordination layer, while relying on other Performance Objectives to capture delivery of critical dependencies in greater depth. This structure has remained appropriate throughout BP3 and has not required material refinement.

We published a comprehensive Clean Power 2030 implementation plan during BP3, setting out our role, key milestones and material interdependencies across the system. This has provided a shared reference point for stakeholders and a framework for managing cross organisational risks and priorities. Internally, the plan has supported structured consideration of interdependencies and escalation of risks where delivery is reliant on actions by others.

We have strengthened our ways of working with government, particularly through engagement with DESNZ, Ofgem and the Clean Power Unit (CPU). This has enabled timely responses to emerging issues and supported policy development as the focus has shifted towards implementation. Senior engagement has helped establish us as a credible and independent source of system insight, while maintaining clarity that our role is to identify, track and flag risks rather than to deliver infrastructure.

Stakeholder engagement has increasingly been embedded within our Clean Power 2030 activity. We have adapted our approach to make greater use of existing forums, clearly signalling Clean Power 2030 content and capturing feedback in a proportionate way, recognising stakeholder capacity constraints.

While delivery of Clean Power 2030 remains exposed to external risks, we continue to provide effective system integration, oversight and evidence-based insight to support progress towards Great Britain's 2030 clean power ambition.

End-Scheme position on Success Measures

**Consult upon and publish our comprehensive 2030 NESO delivery plan in April 2025. This will be a clear and concise publication with evidence of collaboration with and alignment to DESNZ Clean Power Team and Mission Control's objectives.**

The NESO Clean Power Implementation Plan, designed to consolidate and communicate the various NESO activities underpinning the Clean Power Action Plan (as developed with DESNZ and Clean Power Unit) was delivered in Q1. Amongst other things, this document set out our proposed stakeholder engagement approach as broader engagement across

industry was recognised as vital to deliver Clean Power 2030. Feedback from stakeholders on the plan and the consistent message contained within it was positive and it was welcomed by industry.

The plan is a living document and therefore a higher level, external facing document has been continually updated on our website to ensure our customers stay informed about our progress and the wider industry implications.

The document forms the foundation of discussions within the Clean Power 2030 Delivery 'Obeya', an internal NESO forum established to manage cross-NESO risks and interdependencies, ensuring that we continue to be aligned with the original plan or if required can clearly communicate changes in scope or direction.

**Establish ways of working with DESNZ Clean Power Team and Mission Control. We will provide timely responses to reactive requests from DESNZ through Mission Control who are planning to run "policy sprints" which would focus resolving an issue in a short 6-12 week time horizon.**

During the BP3 timeframe, we have continued to develop our ways of working with DESNZ and Ofgem. In the first half of BP3, regular engagement and ways of working with Mission Control were put in place but for a period were suspended (for reasons outside of our control). This involved DESNZ moving away from the proposed "policy sprints" and instead moving to a more portfolio approach.

During the suspension period, we took the opportunity to review our engagement to ensure effectiveness and flexibility.

As a result, we now have a regular Tripartite meeting with DESNZ/Ofgem that involves significant engagement via our Chief Operating Officer ensuring that issues can be addressed at the highest level in a shorter timeframe. This engagement level oversees the different DESNZ portfolios and there is also an established working level engagement across NESO, DESNZ and Ofgem.

During Q4, following feedback from Ofgem, a new version of the Mission Control reviews has been reintroduced with a more formalised agenda and approach as a basis with the ability to flex to a more informal style where the need arises.

We remain confident that this framework of interactions will continue to support the wider objective in the coming years.

**Produce a stakeholder engagement plan that enables NESO publications to clearly and concisely demonstrate evidence of engagement with a broad range of customers on CP30 and how their feedback has been considered.**

Our Clean Power implementation plan was agreed at our cross-NESO CP30 delivery forum to allow CP30-related engagement to be coordinated across different NESO publications and events. It emphasised the need for us to consider our wider industry stakeholders and our efforts during the year have been focussed around interacting at the correct frequency and at the right level with those varied stakeholders. During the period, our customer feedback scores have been lower than we would have hoped but we have

identified that this is partially due to adverse feedback falling under other interdependent Performance Objectives.

Prior to the development of a formal structure and methodology, our efforts largely focussed upon interacting with stakeholders via pre-existing forums. Initial feedback was generally positive but obtained from a fairly small sample. To address this and additional feedback around stakeholder interaction fatigue, we have amended our strategy to still utilise existing forums but have a clearer focus on Clean Power 2030 within them. The process of building engagement this way included a mixture of interactions via forums such as the SSEP industry group, Operational Transparency Forum and Markets forum.

We continue to monitor our stakeholder feedback, not just on the success measures outlined in this document but more broadly on the entire Clean Power 2030 programme both from an internal and external perspective and our stakeholder plan continues to be developed in conjunction with our customer team.

We are continuing to look for synergies and a more strategic approach to customer interactions by embedding our ERIC[13] methodology into the way we interact with our stakeholders on a daily basis.

**Develop a strategic approach to System Access Planning with Transmission Owners (TOs) and wider stakeholders by the end of June 2025 with delivery following by the end of March 2026.**

Connections, system reinforcements, maintenance and fault resolution all require access to the electricity transmission system by taking equipment out of service, therefore effective system access planning is critical to the Clean Power 2030 plan.

An approach was agreed with Transmission Owners in Q1 2025 leading to the establishment of a collaborative programme team responsible for delivery of System Access Reform. The programme assumed responsibility for the delivery of the Transmission Acceleration actions arising from the Network Commissioner's report, the development of a new approach to a six year plan, and to determine the full range of actions needed to ensure that the industry's system access processes enable the delivery of the infrastructure needed for Clean Power 2030 and beyond.

Value has already been delivered, with additional access capacity freed-up in winter through process changes, and improvements to the way that system access is evaluated under the Centralised Strategic Network Plan. Changes are also being progressed which offer the potential to facilitate more system access through changes to the Security and Quality of Supply Standard and introduce processes which will provide enhanced visibility of prioritisation decisions where strategically significant projects are competing for system access.

During Q3 and Q4, we developed and shared a clear view of the overall system access challenge for Clean Power 2030 jointly with the Transmission Owners. This has been shared along with the high-level plan of action, with clearly identified owners, needed to address the key risk areas. All parties have indicated that they have found this a helpful outcome.

[13] ERIC: Easy to work with, Reliable, Impartial, Credible

Focus now switches to the identification and management of specific risks which will be shared and updated throughout 2027.

*Note: Re-baselined dates have been reflected across the Success Measures with a view of original BP3 date shown in brackets for reference.*

**Publish the updated Operability Strategy Report in March 2026 (originally December 2025) incorporating the full detail of the Clean Power Action Plan.**

Earlier in the BP3 period, we requested to Ofgem that the report publication date be moved to March 2026. The rationale behind this was to make it an annual report and to tie in with the publication on the same day as the Market report. This was agreed during Q3 and both reports were published on 30 March: Operability Strategy Report

We launched both via a dedicated web page (link above) that will enable users to seamlessly move between the two and understand better the relationship between the documents. Finally, we have reviewed the contents of the report itself, taking out certain technical aspects from the main document and producing a separate annex to improve the user experience for the majority of stakeholders. The report covers seven key areas of system operability: adequacy, flexibility, frequency, thermal, voltage, stability and restoration. These are key operability challenges we expect to face as we transition to a clean power electricity system in 2030 and a net zero system beyond.

**Working with DESNZ, Ofgem and TOs, develop and implement by June 2025 a new dashboard system that provides a single version of the truth against which to track progress of transmission network projects required to meet CP30 and, where necessary, facilitates mitigation of project risks.**

The CP30 TO Delivery Tracker was released in June 2025 as planned and has been used as the main route for the TOs to provide network delivery updates to DESNZ and Ofgem since then (the DESNZ spreadsheet process was used in parallel for the Q2 intake). This followed a minimum viable product being introduced earlier in the BP3 period to allow early feedback from TOs as well as DESNZ and Ofgem. Following on from the June release there have been regular updates as continuous improvements, new functionality and process changes are reflected (e.g. a handover of responsibility for data collection moving from DESNZ to NESO).

It is worth noting that this is not a dashboard in its own right but actually a web-based system that securely and efficiently enables the collation, validation and monitoring of TO reinforcement schemes required for CP30. It forms the basis for further senior reporting done by DESNZ that is used within pre-existing forums (e.g. ENDF) that are responsible for tracking network delivery. It also feeds relevant information into wider NESO dashboards as well as supporting existing impact assessment and change control processes within NESO.

**Work with stakeholders to produce a set of integrated dashboards to track and review the delivery of the supply side projects required to meet CP30 targets.**

During the BP3 period, we developed a proof-of-concept dashboard, followed by a Minimum Viable Product (MVP) by the end of Q4 that was available to a limited set of users. The agreed approach was to integrate the dashboard with central NESO systems

(e.g. DAP) as a more robust solution which avoided duplication and used automation to reduce maintenance.

Following delivery of the BP3 MVP, in the final phase we experienced some system integration issues due to the complexity and variety of data sources feeding into the dashboard.

This necessitated a more phased roll out extending into FY27, starting with a limited set of feeds and users, while we validated data quality, resolved integration issues and agreed appropriate data assurance arrangements with external data providers.

During FY27 Q1, we will widen user access to the MVP and improve user experience, enabling insights from the dashboard to help the CP30 programme to identify risks and unlock potential delivery opportunities. Work will continue to resolve integration issues and incorporate the dashboard into enduring NESO systems, in line with the original solution design.

Progress on additional Ofgem expectations

**Long Duration Energy Storage - establishment of capabilities to support cost-benefit analysis work**

During the first half of the year, we completed the agreement of the methodology for consultation in May with the final methodology then published in October.

NESO Assessment Methodology for LDES

Following on from the publication of our methodology, we published our clarification log in November to address stakeholder queries around our assumptions. Overall, we consider this process and output to have been well designed and the level of engagement and minimal negative feedback from stakeholders evidences our position.

During Q3 and into Q4 we developed and submitted our initial Cost Benefit Analysis submission, the culmination of a significant effort to initiate and develop the process during FY26, incorporating the methodology previously agreed.

After engaging with relevant stakeholders, potential further scope was identified to enhance the modelling output and further assist with future decision making.

In response, within the BP3 period, we have rapidly mobilised and responded with further updates where possible. However, some of these enhancements will now fall into the Q1 period of NESO1, which is an appropriate timescale for the additional scope that will be delivered.

| Performance Objective | End-Scheme Status |
|---|---|
| **Separated NESO Systems, Processes and Services**<br>We will transition remaining systems, processes and services from National Grid to NESO ownership to enhance our capabilities and establish our autonomy and full independence. |  |

End-Scheme position on delivering this Performance Objective outcome

We consider that we have met the outcome to transition remaining systems, processes and services from National Grid to NESO ownership during BP3 in a way that enhanced our capabilities and established a credible basis for autonomy and full independence.

Across BP3, we delivered a coordinated programme of transition activity that materially reduced reliance on National Grid provided services while establishing NESO owned operational capability and greater control over day-to-day delivery. The focus of this Performance Objective during the scheme year was on delivering demonstrable progress towards separation, recognising that the scale and complexity of the transition meant that full exit from all services would extend beyond March 2026. By the end of BP3, 60 percent of services had exited the Transition Service Agreements, representing the planned level of progress for the scheme year, with the remaining services operating under agreed exit plans and delivery timescales later in 2026.

We have established our own digital and operational environments that support day to day delivery of our functions. Network separation activity progressed across core locations, enabling staff to operate on NESO infrastructure while maintaining business continuity. The migration of users and devices further reduced dependency on National Grid systems and supported uninterrupted delivery of NESO's wider operational priorities.

Application migration during BP3 provided further evidence of increasing autonomy. A substantial proportion of business applications were transitioned to NESO owned platforms during the scheme year, with the remaining applications sequenced for completion after March 2026 in line with agreed delivery plans. The introduction of NESO's own service management capability enabled incidents and service requests for migrated services to be managed independently, representing a material step towards operational independence.

We also progressed the transition of physical and cyber security services. Delivery activity during BP3 supported the establishment of NESO owned monitoring and response capabilities, reducing reliance on National Grid arrangements. Where specific delivery milestones extend beyond the scheme year, this reflects infrastructure dependencies rather than a reduction in scope, and exit plans remain aligned to the overall separation timetable.

In parallel, we advanced the build of NESO owned people, finance and procurement systems. Design, build and testing activity undertaken during BP3 established a credible

foundation for NESO to operate core corporate processes independently, supporting the longer-term objective of full organisational autonomy.

Taken together, this evidence shows that by the end of BP3 we had transitioned systems, processes and services to NESO ownership to an extent that enhanced our capabilities, reduced reliance on National Grid, and established a credible and clearly evidenced basis for full independence later in 2026. On this basis, we consider the outcome of this Performance Objective to have been met within BP3.

End-Scheme position on Success Measures

**Exit 60% of services from the Transition Service Agreements (TSA) by the end of March 2026.**

During BP3, we delivered this success measure, with 60% of services exited by the targeted deadline. Key achievements included the implementation of the Security Operations Centre and Security Information and Event Management capabilities, progress in the network cutover programme, and the migration to our own ServiceNow platform. These advancements strengthened NESO owned capability and operational responsiveness, supported business continuity, and reduced reliance on National Grid provided services, supporting credible progress towards operational autonomy.

We adapted our approach by rescheduling activities and maintaining momentum through stakeholder engagement and clear communication. This helped to manage delivery risk and supported continued progress in Transition Service Agreement exits and the expansion of NESO owned capability.

**Transition physical and cyber security from National Grid. Establishing the strategic Security Operations Centre (SOC), Security Information and Event Management (SIEM), Digital Forensics, and Threat Intelligence capabilities by March 2026.**

We made notable progress in transitioning physical and cyber security from National Grid, with the successful establishment of the Security Operations Centre (SOC), Security Information and Event Management (SIEM), we implemented our own digital forensics capability in November, and our own threat intelligence in January. These enhancements supported NESO's operational independence and ensured continuity for broader organisational objectives.

Despite minor delays in the cyber security plan, we addressed these issues during BP3. Enhanced profiling to match National Grid's standards was completed by the end of BP3, with further advanced profiling planned for Q1 FY27. Physical security transition remained subject to agreed plans, and we maintained focus on overcoming cabling delays and securing necessary support to meet Transition Service Agreement exit targets.

**Deliver foundational services, including:**

- **physical separation of the NESO network from National Grid by December 2025**
- **migration of all users and devices to NESO infrastructure by January 2026**
- **migration of digital platforms and the majority of applications to NESO by March 2026**

During BP3, we progressed delivery of network separation from National Grid, the migration of users and devices, and the transition of digital platforms and applications (with some elements delivered beyond the original success measure timelines).

Achievements included a network cutover for the Warwick and Wokingham offices, enabling staff to operate on NESO infrastructure while maintaining business continuity. Device rollout progressed, despite initial challenges with DaaS and Managed Print Services. Application migration advanced, although full completion extended beyond BP3 due to dependencies linked to the implementation of our ServiceNow platform; this work also established enhanced NESO service management capability, strengthening resilience and responsiveness for IT support. Delivery challenges, including cabling delays impacting physical separation and the complexity of coordinating network transitions, were managed through focused mitigation and stakeholder engagement to maintain progress against agreed plans.

**Build systems and data for people-related functions, including the implementation of People, Payroll, Finance, and Procurement SaaS platforms.**

During BP3, substantial progress was made towards developing systems and data for people related functions, supporting Transition Service Agreement exits. The Elevate programme completed system design, build, and functional unit testing across both the Ivalua procurement and Workday HR/Finance platforms. The first production capability on Ivalua was launched, and cycle 1 testing was completed, confirming the platforms were of acceptable quality for subsequent testing phases. We also introduced our own ServiceNow platform, enhancing incident management and establishing the foundation for a NESO Service Desk.

Efforts to support adoption of these new systems and processes were strengthened through increased stakeholder engagement and communication across People, Finance, and Procurement functions, with a focus on training. These initiatives supported change management and helped embed NESO owned capability for core corporate processes. The programme advanced, with tangible operational capabilities deployed and a clear path towards Go Live.

Despite achieving the agreed April 2026 Go Live, high overall risk persisted, with limited contingency available ahead of that date. Network cutover delays caused setbacks in application migration, with full completion extending beyond BP3, while cabling issues hampered physical separation from National Grid. Coordinating device rollouts, application migrations, and service desk launches across multiple offices created operational challenges requiring robust project management. These risks and technical obstacles were actively managed to support continued progress towards Transition Service Agreement exits and the implementation of people related systems.

NESO BP3 End-Scheme Incentives Report

# Stakeholder Evidence

# Introduction

**As part of our incentives scheme reporting requirements, we are required to gather and present evidence of stakeholder views on our performance every 6 months. Beyond this formal requirement, understanding stakeholder experience is a critical part of how we test delivery, identify emerging issues and improve how we operate across the energy system.**

This section sets out the results of our most recent stakeholder survey; alongside a summary of key themes and evidence of the actions we have taken in response to feedback from our mid-scheme survey and other channels. Evidence of wider stakeholder engagement and feedback is also embedded within the Performance Objective evidence narratives in the previous chapter.

Listening to and working with stakeholders is essential to how NESO delivers its role across the energy system. Their insight helps us shape, inform and test our view of planning and delivery against real-world experience, understand where expectations are changing, and make sure what we deliver is understood, usable and trusted.

During BP3 we increased our levels of proactive collaboration, engagement and use of feedback and complaints to inform execution and progress on our priorities and delivery throughout the year. This input has supported ongoing conversations with stakeholders about progress, improvements required and dependencies, helping us balance delivery considerations with stakeholder expectations.

## Stakeholder surveys

NESO engaged BMG, a market research company, to conduct surveys evaluating NESO's performance across each Performance Objective. These surveys solicited feedback from senior managers, decision makers, and subject matter experts, encompassing a broad range of stakeholders who have had substantive interactions with NESO's services.
The following questions were asked:

1. **Please tick/highlight the areas where you have experienced/worked with NESO over the last 6 months:** (strategic whole energy plans; enhanced sector digitalisation and data sharing; fit for purpose markets; secure and resilient energy systems; separated NESO systems, Processes and services; clean power 2030 implementation; operating the electricity system; connections reform)
2. **For each Performance Objective highlighted/ticked** - From your experience of NESO over the last 6 months, how would you rate NESO's performance against your expectations? (below, meeting, exceeding)
3. **For each Performance Objective highlighted/ticked** - What did NESO do to not meet, meet or exceed your expectations in these areas? (Open text)

## Delivering for stakeholders across our Performance Objectives

Across BP3, feedback from our stakeholder surveys provides a clear and constructive view of our performance, reflecting both the increasing scale and complexity of NESO's role and the rising expectations that accompany major system reform. Stakeholders consistently recognised our strategic ambition, technical expertise and core operational capability, particularly our role in maintaining a secure electricity system and providing whole-system leadership. Across several Performance Objectives, we saw evidence of progress since mid-scheme, including improved engagement, clearer information and stronger transparency where we provided earlier context and explanation.

At the same time, end-scheme feedback became more critical in some areas. This was driven less by reduced confidence in our direction and more by delivery confidence including pace, sequencing and communication, particularly where outcomes depended on wider system reform or external factors. Connections Reform emerged as the most significant cross-cutting influence, shaping perceptions across multiple objectives where delivery dependencies, system readiness and investment timelines intersected with stakeholder plans.

Across the survey results, some feedback raised under individual Performance Objectives reflects wider organisational, system-wide or policy-related issues rather than performance against a single objective in isolation. This is particularly evident where delivery is interdependent, such as connections reform, whole-system planning and Clean Power 2030. While the analysis below distinguishes objective-specific feedback to support a clear assessment against each Performance Objective, stakeholders often experience NESO's work end-to-end, with perceptions shaped by overall delivery confidence, coordination and communication across programmes. These cross-cutting themes have therefore been considered alongside objective-level findings to identify common drivers of feedback and systemic improvement priorities.

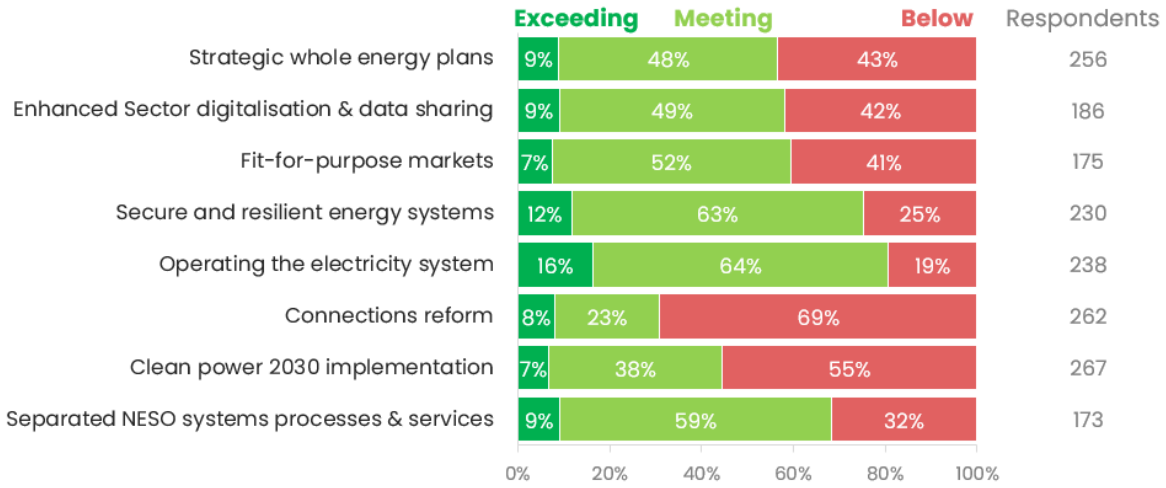
The feedback also reflects a maturing stakeholder perspective. As our strategic intent has become better understood, respondents increasingly focused on how effectively plans translate into deliverable outcomes, seeking earlier visibility of assumptions, clearer explanations of trade-offs, and more proactive communication when delivery plans change. Importantly, not all negative feedback directly reflected performance against individual objectives; in several areas, perceptions were shaped by broader system pressures or adjacent reforms. Overall, the survey evidence shows an organisation that is trusted for its purpose and expertise, and increasingly judged on how effectively we coordinate, communicate and deliver at pace, providing a clear opportunity as we transition into NESO1 to convert strategic confidence into sustained delivery confidence.

# Stakeholder Survey Results

At End-Scheme, we engaged with **3,669** stakeholders and received **380** responses from our representative stakeholder base. Our response rate was 10.4% which is marginally better compared to mid-scheme (9.8%).

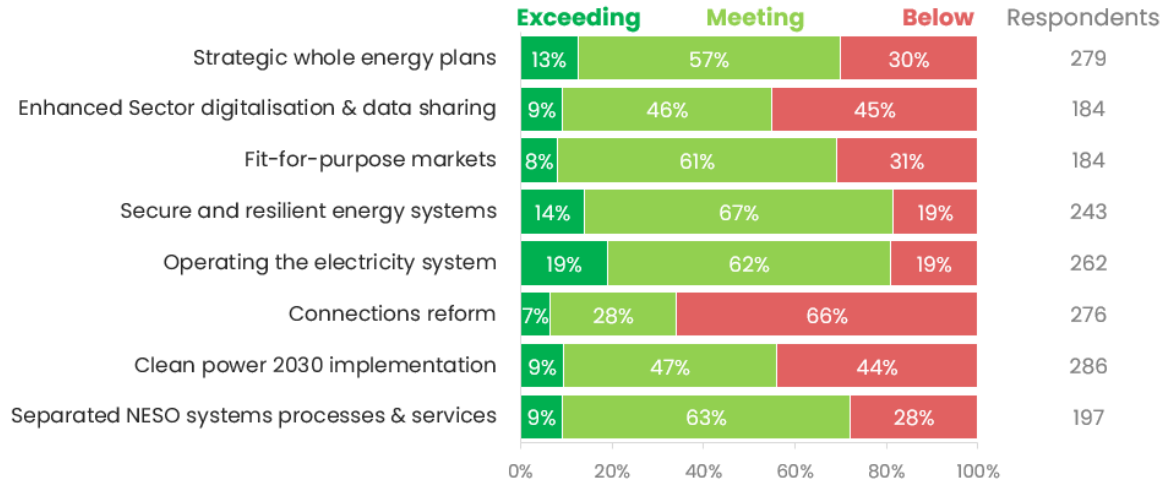
The following provides a summary of the survey responses for each Performance Objective, detailing the number of stakeholders who participated. Comparative results from Mid-Scheme are presented subsequently.

**END-Scheme** survey results - March 2026




ROUNDING: Percentages are rounded to the nearest whole number, therefore may not sum to 100%.
RESPONDENTS: Note that many stakeholders provided responses for more than one PO.

**MID-Scheme** survey results - October 2025




ROUNDING: Percentages are rounded to the nearest whole number, therefore may not sum to 100%.
RESPONDENTS: Note that many stakeholders provided responses for more than one PO.
MID-SCHEME: There are minor variations between the mid-scheme scores reported at the time and those reported here. We recieived a further 66 responses after results were extracted for the Mid-Scheme Report, which are included here. This did not change the key themes. Compared with the original percentages the average change was 0.6%, and the maximum was 2%.

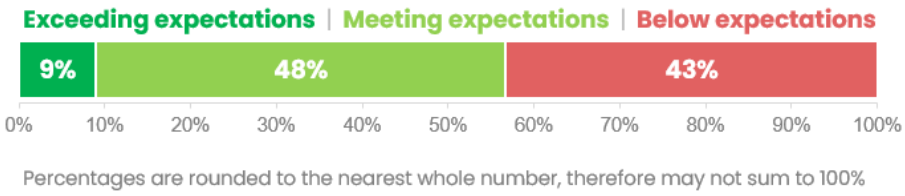
See below percentage point change from mid-scheme to end-scheme results by Performance Objective. Figures are calculated as end-scheme scores minus mid-scheme scores.

| Performance objective | Exceeding | Meeting | Below |
|---|---|---|---|
| Strategic whole energy plans | -4% | -10% | +13% |
| Enhanced Sector digitalisation & data sharing | -0% | +3% | -3% |
| Fit-for-purpose markets | -1% | -9% | +10% |
| Secure and resilient energy systems | -2% | -4% | +6% |
| Operating the electricity system | -3% | +2% | +0% |
| Connections reform | +1% | -5% | +3% |
| Clean power 2030 implementation | -3% | -9% | +11% |
| Separated NESO systems processes & services | +0% | -4% | +4% |

# Performance Objective feedback and NESO actions

### Strategic Whole Energy Plans

End-scheme results




Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 23 respondents | **Communication and publications:** Stakeholders value clear publications, explanations and rationale, especially for non-experts, which aid strategic planning and confidence. **Engagement quality and support:** Where it works well, stakeholders feel engaged, supported and able to contribute meaningfully to strategic planning processes. |
| **Meeting expectations** 122 respondents | **Information sharing and transparency:** Stakeholders see improving information availability and some data-sharing but ask for further improvements. **Strategic planning approach:** The overall concept and direction of whole energy planning is viewed as sound, though execution is mixed. |
| **Below expectations** 111 respondents | **Timeliness and delivery:** Stakeholders cite delays, missed deadlines and slow progress on SSEP, RESP, CSNP and related reforms. |

| | |
|---|---|
| | **Transparency, usefulness and engagement:** Stakeholders have concerns on practical usefulness of the plans and say that we must engage more directly, listen to inputs and increase regional/industry input. |

### Feedback over BP3

Across BP3, stakeholders continued to recognise the ambition, technical depth and whole-energy system intent underpinning our Strategic Whole Energy Plans. Clear publications, explanations of rationale and structured engagement were valued by many stakeholders, particularly where they supported understanding and confidence in long-term system planning.

The overall concept and direction of whole-energy planning remained broadly supported, although perceptions of execution were more mixed. Between mid-scheme and end-scheme, stakeholder sentiment became more critical, with an increased proportion of respondents rating performance as "below expectations." This shift was driven primarily by concerns about timeliness, delivery and sequencing across major planning and reform programmes, including SSEP, RESP, CSNP and related transitional outputs.

Feedback also reflected growing expectations for plans to translate more clearly into practical, actionable outcomes, supported by stronger regional and industry input. Where timelines shifted or plans were constrained by dependencies, stakeholders consistently sought earlier visibility of underlying assumptions, clearer explanation of trade-offs and more direct engagement.

Detailed qualitative analysis indicates that many of the delays cited reflect genuine delivery dependencies, including interactions with connections reform, government inputs and multi-year system planning processes. However, feedback also shows that where these dependencies were not visible or contextualised early enough, confidence in delivery was reduced, even where the strategic rationale itself was understood.

### NESO response to feedback

During BP3, we responded to this feedback by strengthening transparency and engagement approaches. This included clearer published narratives and explainers, modelling walkthroughs to set out assumptions, deeper two-way engagement formats such as bilateral sessions and developer days, and more regionally focused forums. Where delivery challenges emerged, the Strategic Whole Energy Plans programme was re-baselined and revised sequencing communicated through structured engagement. While these actions helped improve understanding for some stakeholders, the end-scheme results indicate that their impact was uneven and not sufficient to offset delivery-related concerns by the close of BP3. More information can be found on our website here.

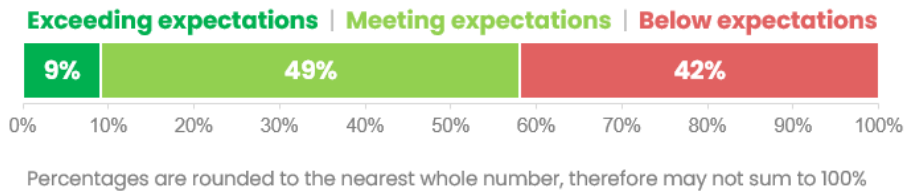
### Overall reflections

Overall, the evidence shows that our strategic energy planning direction remains credible and well-understood, but that stakeholder confidence at end-scheme was increasingly shaped by delivery confidence, pace and practical application. As we transition into NESO1, feedback highlights the importance of sustained progress in delivery alongside early, transparent

communication of restrictions, assumptions and sequencing to maintain trust in strategic planning outcomes.

## Enhanced Sector Digitalisation and Data Sharing

End-scheme results




Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 17 respondents | **Positive data availability:** Stakeholders highlight good progress, with some describing our data sharing as increasingly comprehensive.<br>**Useful tools and platforms:** Stakeholders value initiatives like TRESP, Digital Spine and data portals, which support planning and operational decisions when accessible. |
| **Meeting expectations** 91 respondents | **Growing visibility but mixed usability:** Stakeholders see steady improvement in data access and tools but still report navigation and completeness issues.<br>**Constructive suggestions:** Stakeholders request clearer formats, better explanations, webinars and examples to help them use our data more effectively. |
| **Below expectations** 78 respondents | **Data quality, coverage and timeliness:** Stakeholders ask for improvements to core data to increase completeness and availability.<br>**Systems, communication and leadership:** Stakeholders describe our digitalisation and data sharing as fragmented and ask us to pick up the pace on digitalisation and data sharing. |

### Feedback over BP3

Across BP3, stakeholder feedback indicates steady progress in our approach to sector digitalisation and data sharing, alongside rising expectations about consistency, usability and delivery. Stakeholders increasingly recognised improvements in the availability and breadth of published data, and where tools and platforms were accessible, some reported that our data-sharing approach was becoming more valuable in supporting collaboration, planning and operational decision-making.

Between mid-scheme and end-scheme, feedback showed a shift in emphasis from requests for greater volumes of information toward stronger expectations around clarity, transparency and usability. Stakeholders increasingly sought data that is not only available, but interpretable, reliable and practically actionable, supported by clearer definitions, improved navigation and

better explanation of assumptions and methodology. This reflects a maturing digital expectation as baseline access improves.

At the same time, feedback highlighted that delivery consistency has not yet matched ambition. Stakeholders continued to experience gaps in data completeness, variable quality and uneven user experience across platforms, with particular sensitivity where portal reliability, timeliness of fixes or fragmented systems created avoidable effort or uncertainty. These issues were most frequently cited by stakeholders rating performance as "below expectations."

Detailed analysis of survey responses indicates that a minority of "below expectations" feedback—around 16%—related to wider delivery or system issues rather than digital services specifically. While these views still influenced stakeholders' overall assessment, the majority of dissatisfaction within this Performance Objective was concentrated on digital reliability, coordination and day-to-day usability, rather than on our digital strategy or direction of travel.

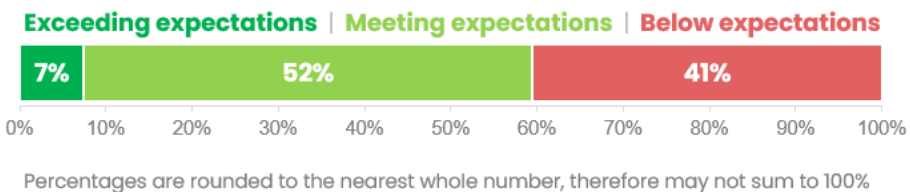
### NESO response to feedback

During BP3, we responded to this feedback by strengthening transparency and communication around digital services, clarifying data-sharing routes and responsibilities, improving guidance and help content, and integrating digital-related feedback into stakeholders impact governance to support prioritisation. Where digital challenges arose, clearer communication of known issues and available workarounds was provided to improve stakeholder understanding while fixes were progressed.

### Overall reflections

Overall, the evidence supports a positive trajectory: stakeholders can see intent and emerging benefit from digitalisation and data-sharing initiatives, but also expect greater consistency, reliability and user-focused design to translate progress into a uniformly improved experience. As we transition into NESO1, feedback highlights the importance of strengthening delivery discipline, coordination and usability so that digital improvements are felt more consistently across the sector.

## Fit-for-purpose Markets

<table>
<tr><th colspan="2">End-scheme results</th></tr>
<tr><td colspan="2"> 

Percentages are rounded to the nearest whole number, therefore may not sum to 100%</td></tr>
<tr><th>Category</th><th>Key topics and issues raised</th></tr>
<tr><td>Exceeding expectations<br>13 respondents</td><td>Innovation and system evolution: Stakeholders highlight forward-looking reforms, strategic capacity planning and innovative dispatch services supporting a net zero grid.</td></tr>
</table>

| | |
|---|---|
| | **Engagement and guidance:** Some stakeholders describe proactive technical engagement and clear guidance that supports confident market participation. |
| **Meeting expectations** 91 respondents | **Incremental market improvements:** Stakeholders see progress in OBP, ancillary markets and coverage across time horizons and services, though work remains.<br>**Directionally positive but uneven:** Feedback notes we are moving in the right direction, with efforts to improve transparency, vision and alignment. |
| **Below expectations** 71 respondents | **Market design, access and fairness:** Stakeholders' concerns cluster around the need for improved operational performance and systems, with some facing delays for market access and high skip rates. Stakeholders say they want increased transparency and want us to be more technology agnostic.<br>**Communication, execution and transparency:** Stakeholders note that our communication and engagement need improvement, saying we change market rules frequently, we are slow or unclear in explaining timelines, reforms and the rationale for key decisions. |

### Feedback over BP3

Across BP3, stakeholder feedback indicates broadly stable confidence in our role in market development, alongside evolving expectations around transparency, delivery clarity and the way stakeholder input shapes reform outcomes. Markets are generally described as functioning as intended, with continued recognition of the need for reform to support a more complex, net zero system and appreciation for the overall direction of travel.

Stakeholders who rated performance as *meeting* or *exceeding* expectations highlighted incremental progress across a range of market initiatives, including elements of the Open Balancing Platform (OBP), ancillary services and improved coverage across different time horizons. Some stakeholders also recognised innovation and system evolution, including forward-looking reforms, strategic capacity planning and improved technical engagement, which supported more confident participation where guidance was clear.

At the same time, stakeholder expectations increasingly centred on execution, communication and transparency. Among those rating performance as *below expectations*, concerns most frequently related to market access, operational performance and fairness, including delays to access, high skip rates and calls for more technology-agnostic market design. Feedback also highlighted frustration with the pace and predictability of change, including frequent rule updates, unclear timelines and limited explanation of the rationale for key decisions.

Detailed analysis of feedback shows that a material proportion of comments tagged to Markets—around one third overall, and around a quarter of "below expectations" responses—were not directly related to market design or operation, but instead reflected wider system or delivery issues. While these views still inform stakeholders' overall assessment of our performance, this indicates that dissatisfaction within this Performance Objective is concentrated around specific

operational and communication pain points, rather than representing a broad loss of confidence in markets as a whole.

### NESO response to feedback

In response to feedback during BP3, we focused on strengthening transparency, communication and support for market participants, including through formal market consultations, ongoing engagement via Markets Forum and targeted webinars on major reforms. Engagement forums were expanded to enable more question-led dialogue and deeper exploration of reform proposals. Greater clarity was also provided in publications and communications setting out system need, external limitations and how stakeholder input influenced reform development, for example through delivery updates associated with the Markets Roadmap, balancing and reserve service reforms and early engagement on RNP.

We also took steps to strengthen a whole-system perspective within markets activity, including broader consideration of gas, flexibility and other vectors. This was reflected in engagement on demand-side flexibility, Clean Flexibility Roadmap actions and code modification processes, and improved signposting to guidance to make access to information more consistent. Where delivery limits existed, earlier visibility of dependencies and limitations was given to clarify where stakeholder input could shape outcomes and where options were constrained by wider system considerations.

### Overall reflections

Overall, the evidence indicates that stakeholder confidence in markets at end-scheme remained more stable than in some other areas, but increasingly shaped by expectations around clarity, predictability and transparency of delivery. As we transition into NESO1, feedback highlights the importance of maintaining consistent engagement, clearly explaining change, and strengthening execution to ensure markets remain accessible, fair and effective in supporting whole-system outcomes.

## Secure and Resilient Energy Systems

End-scheme results


Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 27 respondents | **System reliability:** Stakeholders note high reliability, including secure performance in taxing scenarios and keeping lights and heat on.<br>**Engagement and guidance:** Some stakeholders highlight clear, proactive guidance, strong collaboration and thorough resilience surveys supporting system security. |

| | |
|---|---|
| **Meeting expectations** 146 respondents | **Core role delivery:** Many stakeholders feel we are delivering our core purpose, with progress and communication viewed as steady but not exceptional.<br>**Futureproofing and collaboration:** Stakeholders recognise whole energy engagement, work with government/regulators, and ongoing efforts to address resilience gaps. |
| **Below expectations** 57 respondents | **Communication, strategy, and risk focus:** Stakeholders call for clearer communication, stronger climate and resilience planning, and more robust treatment of system and fuel-mix risks. |

### Feedback over BP3

Across BP3, stakeholder feedback indicates stable confidence in our ability to maintain a secure and resilient energy system, with core operational delivery consistently recognised as a strength. Stakeholders continue to value our role in maintaining system stability and security, including reliable performance during operationally demanding periods and the delivery of its core purpose of keeping lights and heat on.

Between mid-scheme and end-scheme, stakeholders showed increased recognition of system reliability, proactive operational guidance and collaboration. Feedback highlighted clearer engagement during operational activity, the quality of resilience-related work, and stronger coordination across the energy system. There was also growing acknowledgement of our work with government and regulators to support longer-term resilience and future system needs, reinforcing confidence in our role at both operational and strategic levels.

At the same time, stakeholder expectations continued to evolve. While day-to-day operations were generally viewed as meeting expectations, a proportion of stakeholders sought clearer communication of our longer-term resilience strategy, stronger articulation of how climate and system risks are assessed, and more transparent treatment of fuel-mix and supply risks. Feedback suggests a shift in emphasis from confidence in immediate operational performance towards expectations for greater clarity on longer-term resilience planning, priorities and trade-offs.

Some stakeholders also raised concerns about the clarity and consistency of communications when operational events, risks or delivery timelines change. In these cases, respondents said it was not always easy to understand the rationale for decisions or to identify the appropriate points of contact when changes affected delivery or scheduling. This indicates that, even where operational outcomes were strong, confidence was influenced by how clearly context and decision-making were communicated.

### NESO response to feedback

In response to this feedback during BP3, we focused on improving the clarity, accessibility and timing of operational and resilience communications. This included providing clearer explanations of major operational and resilience decisions and the factors driving change, and sharing known risks and challenges earlier where possible to support stakeholder understanding and preparedness. We also improved access to operational guidance through public channels and strengthened links between operational communications and stakeholders insight, ensuring

recurring issues raised through feedback were visible within performance management and prioritisation processes.

We continued to support system resilience through market-based mechanisms, including the Local Constraint Market, providing pathways to address local limits and support effective system balancing where required.

### Overall reflections

Overall, the evidence indicates that stakeholder confidence in system security and resilience remained stable and broadly positive at end-scheme, supported by strong operational performance. Looking ahead, feedback highlights the importance of continuing to couple this operational strength with clearer, more transparent communication of longer-term resilience strategies, system risks and dependencies, reinforcing trust as system complexity continues to increase.

## Operating the Electricity System

End-scheme results


Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 39 respondents | **System reliability and stability:** Stakeholders highlight reliable operation, grid stability and avoidance of blackouts despite increasing zero carbon generation. **Expertise and support:** Stakeholders value strong technical capability, proactive guidance, resilience work and inclusion of new parties in operational initiatives. |
| **Meeting expectations** 153 respondents | **Core system operation and data:** Many stakeholders feel we operate the system adequately, with acceptable reliability and useful datasets and reporting. **Improvement focus and engagement:** Stakeholders acknowledge ongoing improvement programmes and consultations, while expecting clearer communication and faster delivery. |
| **Below expectations** 46 respondents | **Operational modernisation:** Stakeholders mention outdated control room practices, skip rates, slow delivery of key programmes such as OBP, and underuse of modern technologies and storage, which they see as driving up consumer cost. **Transparency and communication:** Stakeholders ask for improved transparency, direct engagement and easier to understand processes and decisions affecting them. |

### Feedback over BP3

Across BP3, stakeholder feedback indicates continued confidence in our core capability to operate the electricity system securely and reliably, even as system complexity increases. Stakeholders consistently recognised our strong operational performance, highlighting system reliability, grid stability and the avoidance of blackouts during periods of increasing zero-carbon generation penetration. Technical expertise, resilience work and proactive operational guidance were frequently cited as strengths.

Between September 2025 and March 2026, feedback continued to recognise high technical capability and robust day-to-day system operation, alongside increasing inclusion of new parties in operational initiatives and improvement programmes. Stakeholders acknowledged ongoing efforts to adapt operational arrangements, data provision and forecasting to changing system characteristics, and valued the availability of operational datasets and reporting to support participation.

At the same time, stakeholder expectations evolved. Feedback increasingly reflected expectations for operational modernisation, clearer communication and greater responsiveness, particularly where operational decisions, delivery timelines or changes affected stakeholder outcomes. Stakeholders rating performance as "below expectations" most often cited concerns about outdated practices, skip rates and the pace of key programme delivery, alongside calls for clearer explanation of decisions, easier access to the right contacts and more direct engagement.

Stakeholders valued our technical expertise but noted that confidence could be reduced where changes occurred with limited explanation, or where support was perceived as slow or inconsistent. In these cases, respondents sought clearer articulation of rationale, risks and trade-offs, particularly when operational changes affected scheduling, costs or delivery.

### NESO response to feedback

In response to feedback during BP3, we focused on strengthening the clarity, timing and transparency of operational communications. This included clearer explanations of delivery changes and timelines as new forecasting capability, control-room decision-support tools and Open Balancing Platform functionality were introduced, improved contextual information to explain the factors driving change such as tighter operating margins, evolving system conditions and voltage management challenges, and earlier visibility of risks and dependencies linked to the phased delivery of balancing and forecasting enhancements. We also improved visibility of longer-term delivery for balancing and forecasting systems through clearer timelines and engagement-shaped plans, supported by targeted communications where technology or process changes directly affected stakeholders.

We further strengthened how skip-rate performance was managed and communicated, including the introduction of improved dashboards and more proactive analysis to support earlier identification of risks and more targeted follow-up. Additional engagement opportunities—including webinars, in-person events, focus groups and one-to-one meetings—were used to shape prioritisation and ensure recurring stakeholder concerns were visible within performance management processes. Alongside this engagement, these actions translated into measurable performance improvement during BP3, with skip rates reducing from 42% in April 2025 to 30% by

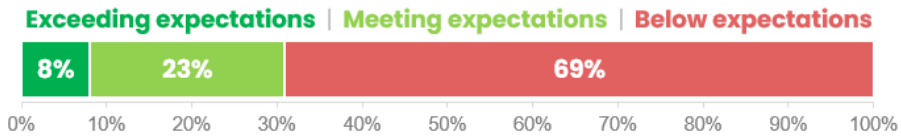
March 2026, supported by improved control-room tooling, enhanced analytical capability and clearer operational decision-making.

### Overall reflections

Overall, the evidence indicates that stakeholder confidence in system operation remained stable and broadly positive at end-scheme, underpinned by strong technical performance. During BP3 this included maintaining secure real-time operation through increased system complexity, responding to operational events such as short-duration voltage excursions with targeted corrective actions, and delivering enhancements to forecasting accuracy, operational insight and digital capability in the control room. Looking ahead, feedback suggests that confidence will increasingly be shaped by the pace of operational modernisation, the clarity of communication and transparency around operational decisions and trade-offs, reinforcing the importance of continued focus on insight-led management and effective engagement as system complexity continues to grow.

## Connections Reform

End-scheme results




Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 21 respondents | **Positive intent and leadership:** Stakeholders acknowledge connections reform was necessary and value us taking a leading role on reform design.<br>**Information sharing and transparency:** Some stakeholders highlight good information exchanges, clear updates and strong communications on the new pipeline and presentation of this. |
| **Meeting expectations** 60 respondents | **Recognition of progress:** Stakeholders feel reform is moving in the right direction overall, with some seeing initial efforts and outcomes as improvements.<br>**Constructive suggestions:** Stakeholders suggest simpler processes, better aggregated data, and acceleration of the programme while recognising partial delivery so far. |
| **Below expectations** 181 respondents | **Timelines and delivery:** Stakeholders report missed deadlines, delayed offers, and slow implementation, creating uncertainty and investment impacts.<br>**Communication and stakeholder experience:** communication and portal issues, limited engagement and unclear prioritisation/queue management, undermine confidence |

### Feedback over BP3

Across BP3, stakeholder feedback indicates broad alignment on the necessity and intent of Connections Reform, alongside ongoing concerns about delivery, communication and stakeholders' experience. Stakeholders continue to recognise that reform is essential to unlocking capacity and supporting future system needs, while increasingly judging performance based on how effectively reform is experienced in practice.

Stakeholders who rated performance as *meeting* or *exceeding* expectations highlighted positive intent and leadership, recognising our role in taking forward a complex, high-impact reform programme. Some stakeholders also acknowledged clearer information sharing, modelling updates and improved visibility of the connections pipeline, and noted that reform is moving in the right direction overall, even where delivery remains partial.

Between September 2025 and March 2026, feedback increasingly focused on acceleration, simplification and delivery sequencing, rather than questioning the underlying rationale for reform. This reflects growing engagement with the mechanics of implementation and a desire to see reform translated into predictable, investable outcomes.

At the same time, significant concerns persisted among stakeholders rating performance as "below expectations," particularly in relation to timelines, delivery and stakeholders' experience. Stakeholders reported missed deadlines, delayed and inaccurate offers, portal reliability and usability issues, unclear prioritisation and fragmented ownership across the end-to-end process. These issues continued to undermine confidence and, in some cases, impacted investment decisions where timelines or requirements changed.

Through the mid-scheme survey and wider engagement feedback captured via internal systems, stakeholders consistently highlighted lack of clarity and predictability, uncertainty about where to go for support, how decisions were made and why changes occurred. Feedback also pointed to inconsistent guidance and digital issues affecting reliability, usability and data accuracy, reinforcing calls for clearer expectations, sequencing and proactive communication that better reflects real-world delivery pressures.

### NESO response to feedback

During BP3, we responded to this feedback by focusing on improving clarity, consistency and engagement around Connections Reform. We clarified routes for raising queries and complaints, set clearer expectations around what had changed and why, and improved signposting to relevant guidance and reform updates. Engagement was refined through targeted sessions on reform changes, including structured Q&A forums, enabling stakeholders to test understanding directly with NESO and network operator representatives. Feedback from these sessions informed the sequencing of stakeholder-facing improvements, particularly around guidance and usability, and recurring issues were embedded into internal performance and reform reporting to support prioritisation.

While these actions improved understanding of specific changes, feedback indicates that confidence has not yet been secured. Stakeholders continued to report fragmentation in the process, ongoing delays in responding to complex queries, persistent portal issues and a need for more proactive communication when timelines or requirements change.

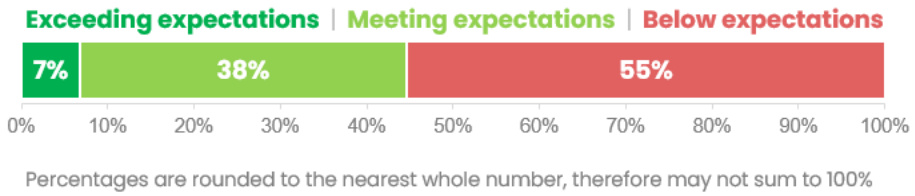
A case study from the connections queue formation exercise shows that clearer, more coordinated communication can materially improve confidence, with stakeholders providing positive feedback on the clarity and responsiveness of communications during this period, compared with previous comparable processes. Further feedback on revised timelines led us to commit to joint webinars with network operators to provide coordinated messaging, explain updated timelines and enable direct engagement with all relevant parties.

### Overall reflections

Overall, the evidence indicates that Connections Reform is progressing in the right direction, with increasing stakeholder engagement in how reform is delivered. However, stakeholder confidence at end-scheme remained primarily shaped by pace of delivery, reliability of systems and data, and the quality and timeliness of offers. As we transition into NESO1, feedback highlights the importance of sustained focus on execution, clearer accountability and consistent communication to translate reform intent into dependable stakeholders' experience.

## Clean Power 2030 Implementation

End-scheme results




Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 18 respondents | **Stakeholders recognition of complexity:** Stakeholders acknowledge Clean Power 2030 is a hugely challenging, substantial task in difficult circumstances.<br>**Advisory and engagement strengths:** Some stakeholders commend our advisory function, stakeholder engagement, and clean flexibility leadership. |
| **Meeting expectations** 101 respondents | **Direction and planning:** Stakeholders see generally clear plans, advice, and forward-looking approach aligned with decarbonisation goals.<br>**Stakeholder engagement and reporting:** Engagement programmes, consultations, and updates are viewed as effective, with scope for further transparency. |
| **Below expectations** 148 respondents | **Delivery, timeliness, and connections reform:** Stakeholders highlight delays from connections reform threatening Clean Power 2030 delivery.<br>**Transparency, communication, and realism:** Stakeholders want to see more realistic, coordinated, and deliverable plans, including earlier and deeper collaboration with industry. |

### Feedback over BP3

Across BP3, stakeholder feedback indicates sustained recognition of the ambition, scale and complexity of Clean Power 2030, alongside evolving expectations about delivery realism, coordination and transparency. Stakeholders continue to recognise our leadership role in setting strategic direction, targets and technical advice, while increasingly focusing on how Clean Power 2030 plans translate into deliverable, investable outcomes.

Across both survey periods, stakeholders acknowledged the technical challenge and whole-system nature of Clean Power 2030, with engagement and communication generally viewed positively. Feedback recognised our proactive advisory role, stakeholder engagement activity and clean flexibility leadership in a challenging delivery context, with Clean Power 2030 plans broadly seen as directionally aligned with wider decarbonisation objectives.

Between September 2025 and March 2026, feedback reflected greater understanding of the delivery challenge associated with Clean Power 2030. Stakeholders increasingly recognised the scale of change required and the breadth of system considerations underpinning Clean Power 2030 planning, with engagement programmes, consultations and reporting viewed as effective in supporting transparency and awareness.

At the same time, stakeholder concerns remained closely linked to delivery dependencies, particularly Connections Reform. Respondents continued to highlight risks associated with timelines, sequencing and perceived lack of realism where delivery pathways were constrained by wider system, infrastructure and regulatory dependencies. Feedback consistently emphasised the need for earlier visibility of assumptions, clearer explanation of trade-offs, and deeper coordination with industry, reflecting real-world delivery considerations such as financing timelines and construction lead-times.

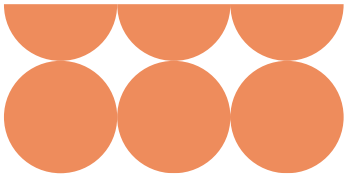
Some stakeholders also raised concerns about the clarity and consistency of communications when Clean Power 2030-related decisions changed, including criteria, timelines and operational impacts. Feedback referenced instances where portal usability, data availability or inconsistent advice across teams reduced confidence, particularly where barriers were not sufficiently contextualised.

### NESO response to feedback

In response during BP3, we focused on strengthening transparency, contextual explanation and early visibility around Clean Power 2030 decision-making. The Clean Power 2030 Implementation Plan set out objectives, system needs and delivery challenges, supported by published explainers to articulate assumptions, limits and trade-offs. Where possible, we provided early updates through Clean Power 2030 publications and webpages to improve visibility of emerging timelines and planned changes. Known restrictions and available work-arounds were communicated to support stakeholder understanding, and engagement on interdependencies between Clean Power 2030, system access, modelling and planning was strengthened to clarify how decisions were linked and where options were constrained by wider system considerations.

### Overall reflections

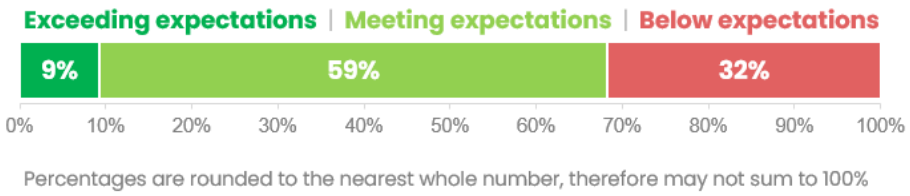
Overall, the evidence indicates that stakeholder engagement with Clean Power 2030 remains strong and constructive, with confidence increasingly shaped by delivery credibility rather than strategic intent. While ambition and direction continue to be supported, feedback highlights the



importance of clear delivery pathways, transparent sequencing and effective coordination with enabling programmes to maintain trust as Clean Power 2030 implementation progresses into NESO1.

## Separated NESO Systems, Processes and Services

End-scheme results



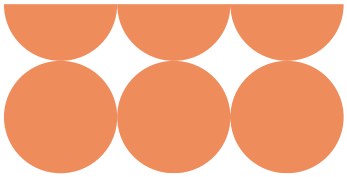

Percentages are rounded to the nearest whole number, therefore may not sum to 100%

| Category | Key topics and issues raised |
|---|---|
| **Exceeding expectations** 16 respondents | **Positive engagement and support:** Stakeholders highlight helpful local teams and proactive, regular communication that made engagement enjoyable and clear.<br>**Clear, user-friendly services:** Some stakeholders experienced well structured, easy to navigate systems and easy to-understand billing, supporting efficient interactions. |
| **Meeting expectations** 102 respondents | **Basic delivery and stability:** Many stakeholders indicate things are going to plan, with transitions seen as broadly stable.<br>**Awareness but limited depth:** Several stakeholders feel aware but not deeply informed, citing low involvement or insufficient visibility on reforms. |
| **Below expectations** 55 respondents | **Systems, reform and performance:** stakeholders say NESO's systems and processes need improving, with connections reform singled out.<br>**Coordination and communication:** stakeholders are unclear about who is accountable between us and the TOs, creating unclear responsibilities, poor coordination and harder planning of work. |

### Feedback over BP3

Across BP3, stakeholder feedback indicates that the separation of NESO systems, processes and services has largely delivered continuity and operational stability, with increasing recognition of progress over time. Stakeholders generally supported the rationale for organisational separation, recognising the importance of clear accountabilities and independent roles, and there were no widespread concerns raised about disruption to core services during the transition period.

Stakeholders' experience of separation was shaped less by organisational design and more by how separation was experienced in practice through systems, processes and stakeholders routes. Among respondents rating performance as *meeting* or *exceeding* expectations, feedback reflected a transition that was increasingly settling into a "business as usual" footing by March 2026, with some stakeholders reporting clearer demarcation of roles, improved governance signals and more stable day-to-day interactions.



At the same time, feedback reflected persistent operational friction for a subset of stakeholders. Comments from those rating performance as *below expectations* most frequently cited process complexity, fragmented systems and unclear ownership, particularly where activities spanned organisational boundaries. Stakeholders described challenges navigating multiple portals, inconsistent guidance and uncertainty about escalation routes, which continued to create complexity for planning and delivery. In several cases, these frustrations were closely linked to wider NESO activity—most notably Connections Reform—rather than separation itself.

Detailed analysis shows that around 36% of comments in this section were not directly related to the separation of NESO systems, processes and services, but instead reflected broader organisational, system or policy-related issues. These responses have been treated as contextual rather than determinative in assessing separation-specific performance. Where feedback clearly related to separation impacts, the most consistent themes concerned systems usability, process efficiency and clarity of ownership, rather than the legitimacy of separation as an organisational change.

### NESO response to feedback

During BP3, we responded to separation-related feedback by focusing on improving clarity, visibility and consistency for stakeholders navigating separated systems and services. External routes and processes were clarified through improved signposting and mailbox guidance, and change communications were strengthened where system, process or service changes affected stakeholders. Separation-related friction was made more visible through stakeholder insight mechanisms, enabling recurring issues to be identified and targeted within delivery and prioritisation processes.

### Overall reflections

Overall, the evidence indicates that separation is increasingly understood and embedded, with improving clarity and governance signals over time. However, stakeholder confidence continues to be shaped by process efficiency, systems usability and consistent communication, particularly at organisational interfaces. As we transition into NESO1, feedback highlights the importance of simplifying stakeholder routes, clarifying ownership and responsibilities, improving systems integration and maintaining clear, consistent change communication to support easier end-to-end navigation and strengthen confidence in separated systems and services.

## Looking Beyond BP3

During BP3, we introduced a package of changes to improve the end-to-end stakeholder experience, with further benefits expected to embed beyond the scheme period through the governance and operating frameworks established in BP2–BP3. This report focuses on the measurable impact delivered during BP3 while recognising that later changes will continue to mature post-scheme. As we transition into NESO1, stakeholder feedback highlights priorities to simplify and integrate processes, improve timeliness and transparency, strengthen the reliability and usability of digital tools, and clarify ownership across the stakeholder journey, building on strong strategic and operational foundations to improve execution and consistency. We value the time and insight stakeholders have invested in providing feedback, which continues to inform our priorities and ways of working. This focus will remain central as we move into NESO1.

NESO BP3 End-Scheme Incentives Report

# Value for Money

# Summary

Delivering Value for Money (VFM) for consumers is a fundamental principle that guides NESO's operations and strategic decisions. Our Value for Money framework ensures accountability, drives continuous improvement, and maximises contribution to achieving NESO's strategic objectives and broader policy goals, while maintaining public trust through transparency and evidence-based decision-making.

NESO's Value for Money framework is based on the strong foundations of the recognised principles of Economy, Efficiency and Effectiveness. It is further underpinned by three value pillars:

| | |
|---|---|
| **Strategic alignment** ensures that our activities are aligned with our mission, vision and strategic priorities. | Strategic alignment is evidenced through the corporate business planning process, which translates NESO's statutory duties, strategic aims and policy expectations into clearly defined priorities, approved through formal governance and set out in the BP3 Business Plan. |
| **Outcome delivery** ensures that we are achieving intended outcomes and delivering measurable impacts. | Outcome delivery is assessed against defined performance objectives, with progress and achievement monitored through NESO's internal performance management framework, as described in the NESO Processes and Governance section later in this chapter, providing clear traceability between planned outcomes, success measures and delivery. |
| **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. | Operational efficiency is assessed through comparison of BP3 outturn costs against the approved baseline, supported by transparent explanations of material variances and targeted evidence demonstrating how expenditure has delivered tangible benefits for consumers, which is the focus of this chapter of the end-scheme report. |

During the period we spent £686m in delivering our BP3 outcomes representing a year-on-year increase of £120m. Investment spend was broadly flat compared to the prior year with the growth in spend largely attributable to run-the-business costs as we have continued to embed and operationalise our new roles and activities. In FY26 we saw increased operational costs in strategic energy planning, connections, strategy and policy and system operations, driven by key initiatives such as RESP, connections reform, system access reform, our new statutory advisory role and the growing complexity in system operations. Our cost within enabling functions increased driven by the full year impact of our new standalone corporate functions and digital infrastructure.

Key spending decisions continued to be reviewed and approved by formal governance aligned to the Board approved delegations of authority. In our report, we highlight examples where we authorised additional spending, or stopped spending to create more value, such as:

- Systems Access Reform (SAR) – we sanctioned an additional £5m for the initial phase of the SAR programme which will develop cohesive approaches to ensure that the increasing volume of system outage requests driven by key industry initiatives supporting delivery of CP30 can be accommodated without impacting system security and increasing constraint costs.
- Reformed National Pricing (RNP) – an additional £2m of funding was sanctioned through October 2026 to support the Government's RNP programme, which will deliver clear benefits such as improved operational efficiency, clearer investment signals and a reduction in constraint costs.
- We accelerated investment to begin separating our operational technology from National Grid systems through sanctioning an additional initial spend of £5m, aiming to reduce overall delivery risk, whilst also delivering our Enterprise Resource Planning (ERP) implementation to quality, time and budget.
- We stopped funding Regional Development Plan projects that could either be executed more efficiently or did not offer enough benefits, avoiding £4m of cost.

We carried out a review into the major outage at the North Hyde substation, which was not in our original plan. Nationally, the report has shaped government energy resilience policy, has driven coordinated industry action, and established a new benchmark for system wide incident investigations. Our investigation was delivered largely through re-prioritisation of existing resource demonstrating value for money by ensuring that critical resilience obligations were delivered without disproportionate cost escalation.

During the year, our headcount across our RESP role grew by 64 FTE as we continued to build our capability and effectively delivered on all the RESP success measures. Our requirement for additional headcount continued to be effectively managed through phased sanctioning, as we continue to learn whilst implementing this first of a kind initiative ensuring proportionate challenge at each stage, allowing for adjustment and continued value for money consideration. We hired fewer RESP heads than planned as recruitment was deliberately slowed to reflect uncertainty in scope, regional rollout timing, and dependencies on wider Strategic Energy Planning decisions and deliverables.

FY26 was the first full year of operation of NESO's standalone enabling functions. We continued to develop our own procurement capability setting up new procurement frameworks enabling faster access to high quality expertise, driving cost economy, and streamlining processes. Significant benefits were delivered in securing critical enterprise software licence contracts outside of the National Grid group. Our people team supported the hiring of 263 FTE across the organisation through an in-house talent acquisition team at a significantly lower cost per hire than industry benchmarks.

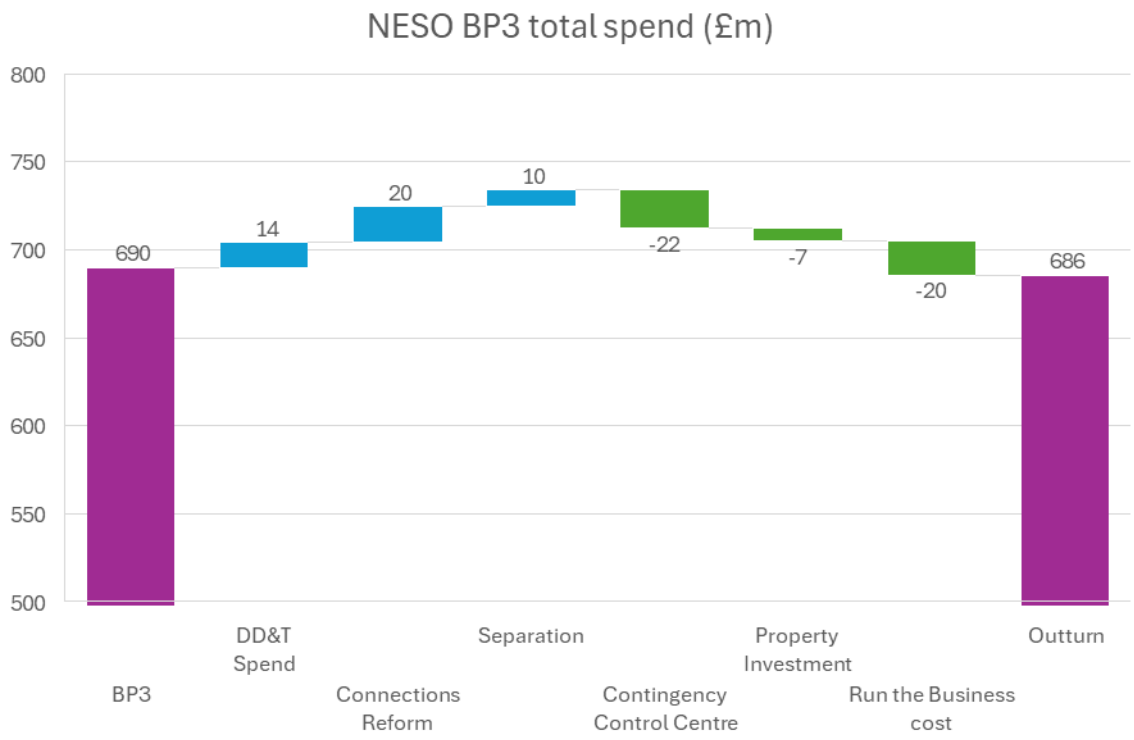
Our delivery of value for consumers is underpinned by our business processes and core values that guide our strategy, planning, performance management and decision making in line with

best practice corporate governance. Details of these business processes are included in the NESO Processes and Governance section at the end of this chapter.

In October 2025 we published an additional Annex to our business plan which provided much greater transparency of the costs we set out in the BP3 plan. We set out our costs across eight long term roles which cover our operational activity and deliver our long-term strategic aims as well as the costs of our functions that support delivery. This presents all our stakeholders with a clear understanding of our cost base.

## Cost Overview

Our total spend in BP3 was £686m, which was broadly in line with our planned spend. Major variances to the plan are set out in the chart below.




### Digital, Data and Technology (DD&T) Spend

Total DD&T spend in the year excluding separation activity was £338m, which exceeded the BP3 forecast by £14m (+4%). The primary cause of this net increase was higher than anticipated licensing and support costs for applications and platforms introduced through the RIIO-2 period and dis-synergies from the separation of foundational services from National Grid. These run the business costs are governed through NESO's monthly financial management and forecasting process and subject to ongoing review and monitoring.

### Connections Reform

During BP3, we implemented the reorganisation of the connections queue, transitioning from the traditional "first-come, first-served" method to a system that prioritises projects demonstrating readiness and alignment with Clean Power 2030 objectives. Cost estimates for the BP3 Connections Reform programme were established in Q3 2024; however, they reflected a high

degree of uncertainty due to the programme's early stage of development at that time. Actual expenditure during BP3 exceeded initial forecasts by £20m, primarily because of expanded scope, increased assurance requirements, and heightened delivery complexity encountered during the transition from design to execution.

**Separation**

Throughout FY26, we have continued the process of separating our core DD&T services from National Grid, while simultaneously developing new, independent back-office systems. This work is part of a structured two-year programme which will deliver complete system separation by September 2026. The incremental expenditure of £10m in BP3 was due to a phasing of the delivery and we remain certain that the programme will deliver in line with the original cost estimate and timing as approved by the Board. The programme continues to be governed through a steering committee and reports monthly to the Portfolio Review Board and Executive.

**Contingency Control Centre**

During BP3, NESO has continued to work on the programme to deliver continued resilience of our control operations through the establishment of a new contingency control centre. For security reasons, we are not providing detailed information in this report. Ofgem noted in their BP3 final determinations that this project was an area where costs were highly uncertain, and we have kept Ofgem informed of our progress and spend as the project has developed.

**Property Investment**

Property investment in BP3 was £7m lower than forecast largely due to a focus on essential maintenance whilst deferring spend on the Wokingham site as longer-term estate strategy options are considered. Additionally, the fit-out of our new London office has started later than anticipated which has pushed costs into FY27. NESO's property investment portfolio is overseen by a steering committee to ensure continued estate support of service delivery.

**Run-the-business costs**

Run-the-business spend excluding DD&T and connections was £20m lower than BP3 driven by slower than planned recruitment across all functions (£5m) and lower professional services and consultancy spend (£15m). RTB is governed through NESO's monthly financial management processes and quarterly finance and risk reviews that align financial performance with risk and operational delivery.

## How to read this chapter

The main body of this chapter focuses on explaining cost variances to our BP3 plan and providing evidence of areas where we have delivered value for money. Operating costs and FTE numbers are presented in total for each activity but can be found broken down by activity in the 'Cost Tables' section at the end of this chapter. Tables may not fully cast due to rounding differences. The NESO Cost Template is published alongside this report. All costs are reported in nominal prices.

The 'Meeting Reporting Obligations' section sets out how the evidence we present in this report meets the Ofgem requirements for evidencing value for money as set out in the Performance Assessment Guidance Document.

The final section of this chapter ('NESO Processes and Governance') sets out NESO's processes and governance around business planning and performance, which are key enablers of delivering value for money but are not discussed in full detail in the main body of this report.

# Our Roles

NESO's corporate strategy is built around eight enduring roles that guide our operations and support our long-term goals. These roles differ from the performance objectives, which change according to each business planning cycle.

## Energy Markets

Energy Markets develops and operates the markets needed for balancing GB's electricity system. We also contribute to the strategy for wholesale markets, act as a code manager and are a market delivery body, across all energy vectors.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 22 | 241 | 26 | 250 | (4) | (9) |
| Investment | 27 | | 31 | | (5) | |
| **Energy Markets Total** | **48** | **241** | **57** | **250** | **(9)** | **(9)** |

### Operating Cost

Spend on our Energy Markets role was £4m below our BP3 forecast.

Spend was £2m less than forecast within the long-term market design activity with two key drivers. The whole energy market strategy team (5 FTE and consultancy costs) was transferred to the strategy and policy directorate, and 4 gas strategy roles were moved to the market frameworks team resulting in all code activity being unified under one area, enabling more effective cross vector thinking for code change reducing handoffs between roles and therefore increasing efficiency.

Additionally, we incurred £2m lower consultancy costs within our central markets team where we had forecast cost for external support that could be required given the inherent uncertainties in programmes such as REMA.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 280 | GB and RiE Regulations | 4 | 5 | (1) |
| 320 | EMR and CfD Improvements | 6 | 5 | 1 |
| 400 | Single Markets Platform | 5 | 6 | (0) |
| 420 | Auction Capability | 2 | 2 | (0) |
| 610 | Settlements, Charging and Billing | 8 | 13 | (5) |
| 820 | Contracts for Difference | 2 | 2 | 0 |
| | **Energy Markets Total** | **27** | **31** | **(5)** |

We invested a total of £27m in energy markets technology, which was £5m less than planned for BP3 due to more efficient execution of our revenue, settlements, and billing platform (STAR) programme.

This improved position reflects the growing maturity of STAR's delivery model: as the programme transitioned from discrete migrations into a consolidated product-team structure, we were able to streamline resources, reduce duplication across engineering and testing functions, and apply shared capabilities, such as data migration, reporting and component reuse.

Collectively, the programme's maturing agile delivery practices, reuse of common settlement components, adoption of NESO-native architectural patterns and consolidation of expertise have enabled higher productivity, faster delivery cycles and materially lower cost to complete compared to earlier expectations delivering full scope at stronger value for consumers without compromising quality or regulatory readiness. This is evidence of NESO's approach to programme execution, ensuring efficiency and economy is at the heart of delivering change in NESO.

### Example of delivering value for money in Energy Markets

**Review of Electricity Market Arrangements (REMA) & Reformed National Pricing (RNP)**
Delivering quality analysis for the REMA programme is a key success measure in delivering our fit for purpose markets performance objective. Becoming a formal partner to the REMA programme in 2024 required us to set up a programme to deliver complex technical analysis, programme governance, stakeholder engagement and implementation readiness. Following government's decision to retain a single national wholesale electricity price the REMA programme was closed with the government opting for an RNP model. This requires additional headcount for ongoing market design and implementation preparation, plus temporary programme management roles to manage programme scale, complex NESO and DESNZ governance, reporting, risk management, planning deliverables and benefits.

Whilst RNP will deliver clear benefits such as improved operational efficiency, clearer investment signals and a reduction in constraint costs, we are seeking to minimise additional costs that we incur. All incremental costs are approved through our sanction committee following internal challenge from finance partners and our portfolio office, with regular updates shared with the Executive Committee and Board. We know that scope can be subject to change as DESNZ make decisions to narrow down policy options, so we only hire additional resource or commit to external consultancy contracts when there is a clear need. We also draw on our own internal programme delivery resource where possible rather than having to hire external contractors.

## Strategic Energy Planning (SEP)

Strategic energy planning creates integrated, resilient national network plans for GB's electricity, gas and hydrogen networks. We also align regional energy planning through regionalised engagement teams and strategies. Our key focus in the BP3 period was to establish the capabilities, foundations and methodologies needed to deliver national and regional strategic whole energy plans.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 50 | 384 | 55 | 446 | (5) | (62) |
| Investment | 8 | | 14 | | (6) | |
| **Strategic Energy Planning Total** | **58** | **384** | **69** | **446** | **(11)** | **(62)** |

### Operating Costs

Costs across our SEP activities were overall £5m lower than our BP3 forecast:

- CSNP operating costs were £2m higher than our BP3 forecast. This reflects a deliberate, time-limited increase in consultancy and agency staff support to develop and assure specialist elements of the CSNP methodology and to establish enhanced programme and PMO capability at pace, where in-house capacity was constrained. This targeted use of external resource enabled the programme to meet critical regulatory milestones and protect the quality and credibility of the methodology, with costs expected to normalise as roles transition to permanent positions.
- RESP operating costs were £1m lower. The growth expected in the RESP team in BP3 reflects our commitment to achieving the Performance Objective to build the foundations, capabilities and methodologies across Strategic Whole Energy Planning. Delivering whilst designing and growing capacity and capability has been challenging. We have onboarded 22 fewer FTE than planned which reflects our considered recruitment approach, ensuring we recruit resources with the appropriate skills at the right time.
- Our spending on the Zero Carbon Operations activity was £3m below the BP3 forecast. In March 2025, the programme timeline was re-baselined due to unresolved challenges with industry-wide commitment. As a result, we revised the objectives for phase 3 to concentrate on deliverables that could still add value, while continuing to advance our long-term TIDE roadmap. Some examples of the value delivered include temporarily relaxing operational metering standards for aggregated consumer-owned assets (CERS), which increased flexibility and competition in the balancing market; and reaching an agreement with four Distribution Network Operators (DNOs) to receive real-time network data in 2026 to aid in system operations and restoration. By adjusting the programme's scope, we avoided unnecessary spending and continued to provide value for consumers.
- Spending in our central SEP function was £2m less than forecast for BP3. The main driver was a lower-than-expected utilisation of our engineering resource pool implemented in BP3 reflecting uncertainties in demand as we continue to implement first-of-a-kind initiatives. This resource pool was placed under the control of the central team within SEP, allowing us to deploy engineering capability flexibly across NESO, instead of assigning them permanently to specific teams. This approach enabled us to allocate resources dynamically to CP30 tasks and manage costs efficiently. The drawdown process was governed by NESO's finance and people functions assuring the efficiency of the process and allocation of resources where most value can be secured.

**Investment**

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 340 | RDP Implementation and Extension | 0 | 3 | (3) |
| 690 | GeoSpatial & Location Intelligence | 3 | 6 | (3) |
| 700 | Strategic Energy Planning | 5 | 6 | (0) |
| | **Strategic Energy Planning Total** | **8** | **14** | **(6)** |

Our Regional Development Programmes (RDPs) deliver IT solutions that facilitate connections for Distributed Energy Resources (DER) more quickly and at lower cost for the consumer. We have invested £3m less than our BP3 forecast. This is due to having de-scoped two RDPs whilst extending the timescale on a further RDP (RDP 5) into FY27. The decision to descope these RDPs presents value for money because a more practical existing solution was found to deliver the same benefits and a reassessment of consumer benefits showed that delivering the outcome would not deliver sufficient consumer value. Extending the timescale for RDP 5 will allow for onboarding of all 6 DNOs across England and Wales onto the GSP Technical Limits service.

BP3 cost estimates for the Geospatial and Locational Intelligence projects were uncertain at the time of publishing our plan. The £3m underspend against plan therefore reflects an overall lower expected spend for delivery of the intended project outcomes.

## Examples of delivering value for money in Strategic Energy Planning

### CP30 resource pool governance

The central pooling of new CP30 resources was a new initiative for BP3 with the sizing based on broad assumptions and a limited level of confidence. A pooled resource strategy was judged more effective than employing consultants or forming permanent teams, enabling maximisation of resources and avoidance of unnecessary costs. To ensure the efficient deployment of these resources, a rigorous governance framework was introduced to prevent misuse; this included clearly defined conditions for accessing the resource pool. Specifically, roles must be temporary, directly aligned with the acceleration of CP30 objectives, and returned to the pool at the end of the assignment. Each resource request is required to outline the anticipated CP30 benefits and demonstrate value for money. Approvals are subject to review by two Operations Committee (OpCo) directors. Maintaining robust oversight of additional resource allocation within the organisation highlights our commitment to operating at the highest standards and delivering value for money to consumers.

### Network Competition

The introduction of competition to onshore electricity networks has a key role to play in improving efficiency in network investment, driving innovative solutions to network needs, and attracting private capital to help deliver decarbonisation targets at the lowest cost to consumers.

In FY26 we were unable to progress the first tender event as no Competitively Appointed Transmission Owner (CATO) qualifying projects were approved by Ofgem. To optimise resource utilisation, we continued to prepare the environment for identifying a project suitable for Early Competition, such as organising market engagement activity through an 'Expression of Interest.' This will help engage the investor community by offering a potential 'Passporting Pathway,' inviting capable investors and delivery partners to explore indicative project opportunities and

demonstrate alignment with expected qualification requirements. This will ensure we and they are ready to deliver against any future projects that may be identified.

In parallel, through BP3 the team has been developing additional ways to introduce competition. We are working closely with Ofgem to develop the Offshore Transmission Owner (OFTO) Build model. The aim is to have the regulatory framework ready by October 2026, enabling the selection of projects from the Centralised Strategic Network Plan (CSNP) to run competitive tender events. We have also been considering options to introduce competition for other asset types, such as those needed for connections. We consider there could be significant value to the market in introducing competition for assets required to enable connections at a transmission level.

**RESP**

At the time of preparing BP3 we, and Ofgem, recognised that the forecast costs for the RESP role were at a low stage of maturity and that further engagement would be required during the period to review cost estimates as they developed. Ofgem's Final Impact Assessment published in April 2025 concludes that "The quantified benefits of introducing the RESP are potentially far greater than the costs." To maximise these benefits for consumers we have taken a governance led approach to ensure that costs are minimised.

At the outset of the programme, we adopted a phased approach to sanctioning resources required which allowed us to mobilise resource for early scoping and exploratory work. Following publication of Ofgem's RESP policy framework consultation in July 2024 which further clarified NESO's RESP responsibilities, we sought approval for incremental headcount to grow regional capability, provide additional temporary change support and continue to develop the RESP methodology and ED3 delivery. By January 2025 we had developed a blueprint for the RESP role which included an indicative target state operating model, service design, and cost model. This informed our costings that were included in our BP3 plan, and which were subsequently approved by our sanctioning committee. Our phased approach to sanctioning spend ensures proportionate finance, delivery and leadership challenge at each stage. This provides clear decision points where scope, pace and resourcing can be adjusted if value for money is not demonstrated.

During BP3 we have successfully delivered on all our RESP success measures; convening regional forums, establishing and building capability of regional teams, publishing the RESP methodology consultation and publishing the RESP inputs into the ED3 price control. During this period, we have recruited fewer FTE than assumed in the BP3 because actual hiring has been deliberately slowed and staged to reflect uncertainty in scope, regional rollout timing, and dependencies on Strategic Spatial Energy Plan (SSEP) and wider SEP decisions. Higher than planned third party spend reflects prudent delivery choices, using time-limited external support and programme enablement while recruitment was phased and scope matured rather than uncontrolled cost growth, with spend remaining within the internally sanctioned RESP envelope.

## Energy Insights

Energy Insights creates robust evidence-based insights into emerging energy transition trends, resulting in the development of scenarios, insight and advice for the use of policy makers, industry and NESO itself.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 11 | 94 | 12 | 102 | (1) | (8) |
| Investment | 0 | | 0 | | 0 | |
| **Energy Insights Total** | **11** | **94** | **12** | **102** | **(1)** | **(8)** |

### Operating Costs

There have been no material variances to our BP3 forecast expenditure for the Energy Insights role. With the Future Energy Scenarios (FES) publication now on a three-year cycle, we have streamlined our narration and stakeholder engagement capabilities to support all teams within Energy Insights. Although this change does not impact the total FTE requirement for this role, it results in 8 fewer FTEs in scenario development.

The Energy Insights team is a key enabler to our Strategic Whole Energy Planning performance objective. The work on FES provides the foundation for the new strategic energy planning process with team members being seconded into the SEP team to support in the deployment into SSEP, CSNP and RESP.

### Example of delivering value for money in Energy Insights

Except for the scenario development team, all other teams supporting Energy Insights activities were formed to support NESO's advisory role which is a new statutory duty. The blueprint outlining the advisory function's structure and scope was developed collaboratively with DESNZ and Ofgem. Teams have been sized to ensure flexibility in responding to advisory requests, supporting broader business needs, and proactively engaging in energy policy areas to provide informal support for policy development. We have conducted a midpoint assessment, opting not to recruit the full headcount necessary to execute all activities concurrently or build out every capability we might need. Instead, we operate at a level that allows us to adapt to shifting priorities and maintain the option to supplement with temporary resources as needed.

## Security of Supply Modelling

In our Security of Supply Modelling role, we enable a reliable and secure energy system through an integrated and co-ordinated approach to provision of expert advice on resource adequacy to government, to ensure our energy demands can be met. Our strategic Security of Supply Modelling role mainly supports our Secure and Resilient Energy Systems performance objective.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 4 | 36 | 4 | 32 | (0) | 4 |
| Investment | 0 | | 0 | | 0 | |
| **Security of Supply Modelling Total** | **4** | **36** | **4** | **32** | **(0)** | **4** |

### Operating Costs

At the beginning of the BP3 period we recognised the need for 4 additional FTE in the Security of Supply modelling team to deliver additional Capacity Market security-of-supply analysis required beyond the existing BP2 mandate. This additional resource has allowed us to include additional modelling in the upcoming Electricity Capacity Report (ECR) on the T-5 to T-8 period compared with previous years. Driving improvements in our modelling strengthens medium-term adequacy analysis and improves the evidence base for Capacity Market decisions, with clear benefits for consumer value and system resilience.

## Energy System Resilience

In our Energy System Resilience role, we ensure whole-energy system resilience by understanding risk. We use our trusted voice to develop mitigations working in partnership with government and industry. Our Energy System Resilience role mainly supports our Secure and Resilient Energy Systems performance objective.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 9 | 93 | 11 | 100 | (1) | (7) |
| Investment | 2 | | 5 | | (3) | |
| **Energy System Resilience Total** | **11** | **93** | **16** | **100** | **(4)** | **(7)** |

### Operating Cost

Spend in our Energy System Resilience role was largely in line with our BP3 forecast. We have added 2 additional FTE in our readiness and response team to strengthen our emergency response capabilities in light of emerging threats such as severe weather, cyber risks, and cross-vector interdependencies. This has been offset by slower than anticipated recruitment into the system restoration team.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 510 | Restoration & Restoration Decision Support Tool | 2 | 5 | (3) |
| | **Energy System Resilience Total** | **2** | **5** | **(3)** |

We have spent £3m less on our restoration decision support tool than planned in BP3. The underspend reflects active cost control: although funding was sanctioned in BP3 for delivery of the Restoration Decision Support Tool, delivery was slowed due to evolving requirements and dependencies, avoiding premature or inefficient expenditure. Re-profiling the spend ensured consumer value was protected by deferring costs until scope and delivery conditions were sufficiently mature.

### Example of delivering value for money in Energy System Resilience

#### North Hyde

In March 2025, a major outage at North Hyde Substation resulted in power loss for over 70,000 customers and businesses, including the temporary closure of Heathrow Airport. NESO was swiftly commissioned by DESNZ and Ofgem to lead a high-risk, complex review into the incident. A cross-functional response team was rapidly assembled, delivering both interim and final reports under intense scrutiny and tight deadlines. The investigation involved reviewing nearly 900 pieces of evidence and produced several recommendations aimed at reducing the likelihood and impact of similar events in future. The review was widely praised, receiving commendations from the CEO of Heathrow Airport and recognition in Parliament and the media.

Delivering a large-scale review required NESO to make clear prioritisation calls to focus effort effectively. This was achieved in conjunction with the support of the Energy Resilience Leadership Group (ERLG) which is the senior cross-government forum that brings together DESNZ, Ofgem, NESO, National Gas and industry leaders to provide strategic oversight of energy system security and resilience. ERLG oversight sets the expectation that NESO should prioritise work with the greatest impact on national energy resilience, rather than running all activity in parallel. This resulted in some lower-priority reports being delayed so that learning from North Hyde could be properly incorporated, rather than duplicating or re-working analysis later.

NESO's prioritisation during the North Hyde investigation demonstrated strong value for money by ensuring that critical resilience obligations were delivered without disproportionate cost escalation or material degradation of other BP3 commitments. NESO absorbed most additional activity through reallocation of existing capability avoiding the need for expensive external resourcing or the deferral of core deliverables. NESO delivered the investigation using in-house resources, avoiding external recruitment and generating savings of £1.1m (estimated) through flexible use of existing capacity and making the appropriate prioritisation decisions.

The North Hyde Report has shaped government energy-resilience policy, has driven coordinated industry action, and established a new benchmark for system-wide incident investigations[14]. Internally, it has strengthened NESO's credibility and investigative standards, reprioritised resilience delivery, and demonstrated that nationally significant reviews can be delivered with strong value for money through disciplined governance and prioritisation.

## System Operations

Within our System Operations role we balance Great Britain's electricity system through real-time operations and short-term planning. We anticipate and manage whole energy system interactions and will operate a clean power system in 2030. Our System Operations role supports our Operating the Electricity System performance objective.

[14] NESO's North Hyde report: government response

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 52 | 455 | 49 | 451 | 3 | 3 |
| Investment | 71 | | 70 | | 1 | |
| **System Operations Total** | **123** | **455** | **119** | **451** | **4** | **3** |

## Operating Cost

We exceeded our BP3 forecast by £3m due to two key initiatives.

We initiated our System Access Reform programme in FY26, which required an additional £2m in costs and 14 FTEs. System access will play a critical role in the deliverability of the CP30 plan and establishing a strategic approach to system access planning is a key success measure in the CP30 Implementation performance objective. Action is required across industry to ensure that cohesive plans are in place to provide assurance of delivery and ensure that the extra requested system outage requests can be accommodated without impacting system security whilst minimising increases in constraint costs. This incremental spend will drive multiple benefits such as increased access for low carbon and renewable generation projects, reduced speculative investment and stranded assets, and increased investor confidence resulting in reduced risk premia in major infrastructure financing.

We spent an additional £2m on addressing skip rates, which is a key success measure in our Operating the Electricity System performance objective. Whilst we had provisioned some additional resource to address skip rates in BP3, we recognised that greater benefits could be delivered more quickly through a dedicated programme which was approved by our OpCo committee and further ratified by our sanctioning committee.

These overspends were offset by other lower operating costs within the role.

## Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 110 | Network Control | 12 | 12 | (0) |
| 120 | Interconnectors | 2 | 2 | 0 |
| 130 | Inertia Monitoring | 0 | 1 | (1) |
| 140 | ENCC Operator Console | 0 | 3 | (2) |
| 170 | Frequency Visibility | 1 | 3 | (2) |
| 180 | Enhanced Balancing Capabilities | 26 | 18 | 8 |
| 210 | Balancing Asset Health | 5 | 5 | 0 |
| 220 | Data and Analytics Platform | 5 | 11 | (7) |
| 240 | ENCC Asset Health | 4 | 3 | 1 |
| 260 | Forecasting Enhancements | 6 | 3 | 3 |
| 480 | Ancillary Services Dispatch | 1 | 1 | (0) |
| 670 | Real Time Prediction | 4 | 4 | (0) |
| 720 | Network Service Procurement | 1 | 1 | (1) |
| 850 | System Operations Tech Enablement | 0 | 3 | (3) |
| | CNI Optel Refresh Lot 3a | 3 | 0 | 3 |
| | **System Operations Total** | **71** | **70** | **1** |

In FY26 we spent £26m on enhanced balancing capabilities, which was £8m more than our BP3 forecast. Key achievements included delivery of the OBP Strategic platform, enhanced dispatch capability, two new market services, and a new national demand model. Together, these deliveries enable the decommissioning of the Ancillary Services Dispatch Platform (ASDP) and the Energy Forecasting System (EFS). As the Open Balancing Platform has progressed and matured, we have identified and prioritised several essential activities that were not fully defined when the programme was originally scoped in 2023. These include responding to evolving security requirements, supporting industry readiness, additional GC0166 requirements, and putting in place scalable foundations to support additional services transitioning onto the platform. We also refined the timing of some remaining activities to ensure they are implemented safely and aligned to operational needs, which has rephased spend and increased in-year costs.

This incremental investment is strengthening consumer outcomes by improving market communication interface resilience and thereby reducing operational and commercial risk. It also introduces advanced automation and optimisation which supports more efficient dispatch and improved situational awareness. Furthermore, enabling internet-based access for non-BM participants will lower barriers to entry and support increased competition.

During the RIIO-2 period the Data and Analytics Platform (DAP) programme has built a robust, scalable platform that supports end-to-end analytics, making relevant data easily discoverable and securely accessible as well as establishing NESO's data management and governance function. The programme delivered all planned scope as well as additional scope such as infrastructure migration from National Grid to NESO and establishing analytics such as Monitoring and Penalty Services analytics. We will continue to develop the platform as the need for future capabilities emerges. Overall, the programme delivered at £7m lower cost than had been forecast due to sourcing strategies such as offshoring, leveraging cloud infrastructure and automation of the software delivery pipeline which has resulted in increased speed of delivery and reduction in resource and consumption cost.

At the beginning of FY26 our sanctioning committee approved £3m additional spend on Forecasting Enhancements above that forecast in our BP3 plan. This spend was prioritised because we estimated that increasing delivery scope could drive a reduction in model forecasting errors of at least 50MW, which could deliver annual benefits of up to £51m through fewer real time balancing actions and improved constraint management and outage planning. By the end of BP3, all additional capabilities funded through this investment had been delivered, and activity is now focused on user adoption and embedding to ensure the full benefits are realised.

## Example of delivering value for money in System Operations

### Skip Rates

NESO delivered value for money in System Operations through targeted investment to reduce skip rates under the Dispatch Transparency Programme. During BP3 NESO developed a simplified, transparent methodology and new control-room tools to improve real-time operational decision-making while maintaining system security. This internally led approach drives value for money through reduced reliance on external support, strengthened analytical capability, retained knowledge in-house and enabled faster proportionate interventions focused on the areas of greatest consumer impact. The programme also met Ofgem's expectations for transparency,

with publication of data and a materiality assessment within one year, supporting sustained improvements in operational efficiency and driving value through lower long-term balancing costs.

## Network Operability & Connections

In our Network Operability and Connections role we ensure that Great Britain's electricity system will be operable through identifying operability needs, procuring solutions and delivering engineering services and commercial contracts. We serve customers connecting to and operating on transmission and distribution networks. Our Network Operability and Connections role supports our Connections Reform performance objective.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 47 | 297 | 26 | 254 | 20 | 43 |
| Investment | 14 | | 17 | | (4) | |
| **Network Operability & Connections Total** | **60** | **297** | **44** | **254** | **17** | **43** |

### Operating Cost

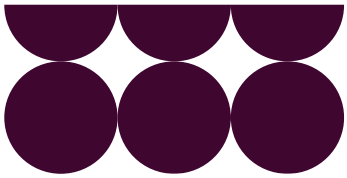
Our total spend for Network Operability and Connections was £20m higher than forecast, driven by higher than forecast costs associated with the connections reform programme.

Connections Reform is a once in a generation reform and is one of our BP3 performance objectives. By prioritising projects that are ready and aligned with Great Britain's energy and growth needs, the reform will unlock timely decarbonisation, protect consumers from unnecessary infrastructure spend, restore credible investment signals, and establish an enduring connections regime fit for the future.

The scale and pace of this reform is unprecedented. BP3 cost estimates for the programme were therefore highly uncertain given the low level of maturity of the programme at that time. Subsequent spend in BP3 has been £20m higher than originally forecast because the scope, assurance requirements, and delivery complexity increased materially once the programme moved from design into execution, particularly around queue formation, engineering validation, and offer issuance.

The main drivers of additional spend were:

- **Additional assurance and validation activity** - Once evidence was submitted and the reformed queue was formed, we identified the need for significantly more assurance than originally assumed, covering data quality and evidence validation, queue formation decisions, engineering feasibility and coordination across the whole system. This assurance activity required additional specialist resource and extended delivery effort, increasing programme costs beyond the original plan. The decision to incur this cost was explicitly taken to reduce legal, operational and reputational risk.
- **Engineering complexity discovered post-queue formation** - although queue reform itself was delivered, engineering review identified technical issues that needed to be resolved before offers could be issued. Issuing offers without resolving these issues would have



risked non-deliverable or mis-aligned connection offers and additional engineering work and re-sequencing were therefore required. This additional engineering effort was not fully anticipated at business planning stage, increasing both cost and duration.

- **Extended timelines** – the governance approved timeline increased costs by extending contractor and specialist support, maintaining programme governance and delivery teams for longer and increasing customer engagement and communications effort. These costs are a direct consequence of taking a quality first approach, rather than compressing delivery and risking rework later.

All the additional costs were approved via our sanction committee and were incurred to protect deliverability, legal robustness, and customer confidence.

### Investments

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 350 | Planning and Outage Data Exchange | 2 | 3 | (0) |
| 360 | Offline Network Modelling | 2 | 3 | (2) |
| 380 | Connections Platform | 9 | 10 | (1) |
| 390 | Electricity Network Development Tools | 1 | 2 | (0) |
| | **Network Operability & Connections Total** | **14** | **17** | **(4)** |

Our investment in Offline Network Modelling is a key enabler of zero carbon operability as it is critical to ensuring that we can provide advanced network analysis capability and reduce simulation times. During BP3 we continued to upgrade and enhance our modelling tooling, with outcomes being delivered at £2m lower cost through more efficient delivery.

## Example of delivering value for money in Network Operability & Connections

### Network Services

Our Network Services team conducts open and competitive tenders to acquire technical assets and services necessary for the control room. These requirements include characteristics such as stability, voltage regulation, and constraint management. Third-party providers supply these services by designing, building, owning, and operating assets such as batteries, synchronous compensators, reactors, and other equipment.

Procurement of these services ensures secure system operation even in environments with low inertia and a high proportion of renewables and offers greater flexibility and resilience for control room decisions through contract-based capabilities. Network services contracts deliver significant value for money to consumers through reduced cost of balancing actions and predictable contract-based costs rather than higher cost volatile interventions.

In FY26 we completed our year 2 Mid-term (Y-1) Stability Market tender. We evaluated bids from multiple parties offering inertia by calculating each total contract cost based on projected asset usage for the year. Using Monte Carlo simulation, we estimated when inertia shortfalls might occur and compared contract costs to real-time alternatives like gas power stations. We selected only contracts that were cost-effective and met our inertia requirements. Our forecast spend on

these contracts when compared to the cost of meeting system needs in real time will deliver savings of up to £44m.

In FY26 we renewed our Constraint Management Intertrip Service (CMIS) contracts on the Anglo-Scottish transmission constraint boundary (B6) for another year. These contracts deliver significant value to consumers through effective management of constraint costs. These contracts allow rapid disconnection of generators in the event of a system fault, which means that the control room does not need to pre-emptively curtail generation in anticipation of a possible fault, instead allowing cheaper clean energy to flow across the boundary. We estimate that these contracts deliver annual savings of around £8m.

In June 2025 we awarded enduring contracts for CMIS on the East Anglia Boundary (EC5). These contracts replace interim contracts and have a much faster Stability tripping capability (200ms compared to Thermal tripping capability of 10s), thereby offering better flexibility for the control room. We estimate that over the three 25-year contracts these services will deliver benefits of £171m in lower balancing costs, as well as carbon savings from avoided gas-fired power generation.

## Facilitating Sector Digitalisation

In our Facilitating Sector Digitalisation role, we co-ordinate the delivery of shared digital infrastructure for, and by, industry. This role supports the delivery of our Enhanced Sector Digitalisation and Data Sharing performance objective.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 0 | 5 | 1 | 12 | (1) | (7) |
| Investment | 4 | | 6 | | (2) | |
| **Facilitating Sector Digitalisation Total** | **4** | **5** | **7** | **12** | **(3)** | **(7)** |

### Operating Cost

In our BP3 plan we made provision for 12 FTE to support our Data Sharing Infrastructure (DSI) co-ordinator role. We did not begin to recruit into these roles until Autumn 2025, with work on the DSI programme up until launch largely being covered by existing resources. Slower hiring into roles than had been forecast in BP3 has not had an impact on overall outcome delivery.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 830 | Data Sharing Infrastructure | 4 | 6 | (2) |
| | **Facilitating Sector Digitalisation Total** | **4** | **6** | **(2)** |

For BP3 we estimated that we would invest £6m in the launch and mobilisation of the DSI. This estimate was uncertain at that time as this new project had not been scoped. Actual spend has been £2m lower than this estimate, but this has not impacted on the overall deliverables of the project.

### Example of delivering value for money in Digitalisation

#### Delivery Efficiency

Throughout the period, the team has been shaped to seamlessly evolve between the design, delivery and operation phases. Our core team is NESO employees and support capabilities are matrixed in from the wider DD&T team where possible and Managed Service Provider (MSP) support has been utilised for added capacity. We have also employed agile ways of working, conducting regular retrospectives as well as exploring productivity and acceleration opportunities through AI.

The program has been benchmarked for cost and scope against two broadly comparable projects, The National Digital Twin Program in the UK and Energy Demand and Generation Exchange (EDGE) project in Australia. Total life costs were found to be within a similar range to deliver the current specified deliverables.

## Role Delivery Support

We directly support the delivery of our core roles through change and data management, driving innovation and building strong customer relationships.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 22 | 420 | 36 | 484 | (14) | (64) |
| Investment | 26 | | 41 | | (15) | |
| **Role Delivery Support Total** | **48** | **420** | **77** | **484** | **(29)** | **(64)** |

#### Operating Cost

Our spend on Role Delivery Support was £14m lower than we forecast for BP3.

The main area of underspend (£8m) was in the Programme Management and Technology Delivery teams. There were two key drivers of lower spend.

- BP3 included a £5m provision for procurement of consultancy services for reactive discovery work to minimise delays and impacts on broader objectives. During the period we did not need to draw on any additional consultancy services.
- The mix of internal resources compared to use of MSPs in our DD&T delivery teams was different to what we had assumed in our BP3 plan. This resulted in 41 fewer FTE and £2m lower spend. The mix of internal resources versus MSPs is always under review across our delivery teams to ensure that we deliver best value through avoiding unnecessary recruitment where one off procurement of specialist skills and capabilities is more cost effective.

Since BP2, the requirement for and focus on effective data management has significantly increased and as such a dedicated data team has been formed with responsibilities covering the wider energy sector as well as internal obligations. Our overall aim is to establish a strong foundation of trusted, discoverable data, combined with the right tools and technology to realise our vision of becoming a digital leader in the energy sector. The cost of this team was £2m in BP3, which was £2m lower than our forecast. This was due to having 14 fewer FTE with 6 AI related roles

transferred to the innovation team and slower than anticipated recruitment into other data roles. This has not impacted on overall delivery of our data ambition as gaps have been filled using MSP resource, funded through the Enterprise Data Management investment, which allows us to focus on identifying which work is enduring and would be more appropriately supported by NESO staff.

Other areas driving lower spend were the customer team, where we incurred £1m lower consultancy costs and the innovation team where a combination of fewer staff, lower consultancy expenses, and increased time charged to innovation projects led to £2m lower spend than forecast.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 250 | Digital Engagement Platform | 2 | 5 | (2) |
| 450 | Future Innovation Productionisation | 3 | 3 | (1) |
| 750 | Enterprise Data Management | 6 | 6 | 0 |
| 770 | AI Transformation | 6 | 8 | (2) |
| 730 | Technical Debt/New Priority Initiatives | 9 | 12 | (3) |
| 760 | Data Enablement - DAP Usage and Data Quality | 0 | 7 | (7) |
| | **Role Delivery Support Total** | **26** | **41** | **(15)** |

There were two key areas where we underspent against BP3 forecast in the Role Delivery Support investments. At the outset of the BP3 period we descoped the £7m Data Enablement investment because the scope of this investment was covered through the Data and Analytics Platform and Enterprise Data Management investments. We also spent £2m less on our AI investment, though this is related to the timing of spend rather than an overall saving.

## Examples of delivering value for money in role delivery support

### AI

In FY25 we began developing our AI ambition and vision. The early scoping work included collaborating across the business, to develop a comprehensive AI Strategy. We also outlined and agreed with OpCo a prioritisation framework which has played a key role in ensuring the scope we implement drives value to NESO. This is outlined below:

1. **Efficiency and scale enabled through AI** - KPI: reducing hiring and redeploying FTEs to higher value activities.
2. **Effectiveness through AI powered insights delivery** - KPI: Improve accuracy/ cycle or lead time to complete an activity.
3. **Readiness for the future** - KPI: Quicker response to market or wider change. Cutting edge tools for the future
4. **Lowering Risk Profile** - KPI: Improved overall risk position by considering and vetting of more scenarios.
5. **AI Adoption** – KPI: Repeat usage

In August 2025 we sought approval from our sanctioning committee for £4m to move into the mobilisation phase to deliver the creation of an AI roadmap to 2030, mobilisation of an initial team (3rd party and NESO), kicking off 3 use cases across SEP, SAR and Connections and the Alpha phase of our AI Navigator (Navi), workbench and AI platform. We chose a phased approach to sanctioning spend to allow for careful monitoring of spend and to ensure that delivered outcomes drive value.

The outcomes of our mobilisation phase were:

1. **Mobilisation of Team and capabilities** – this stream focussed on the benefits assessment of AI. We completed a detailed cost benefit analysis which identified a sizeable potential benefit for the scaling of AI across NESO and the Industry. Our analysis suggests that the business case for AI is net positive, both for NESO as well as for the wider GB energy system.

   We also mobilised 3rd party support to help the core AI team deliver on the planned roadmap. During the initial adoption of AI phase, we will start to establish a key and enduring AI team (NESO.AI Energy Team).

2. **Design and Deliver Product and AI platform** – we have mobilised 3rd party delivery across the key strategic initiatives, NESO.AI Navigator and our AI marketplace. We launched Alpha for Navi and have started the delivery of key strategic initiatives, including CP30, tRESP (Transitional RESP) and SAR to help us create the core foundational AI capability.

Our next phase of delivery is the initial adoption stage where we will be focussed on delivery of foundational AI capabilities. This includes establishing our core AI product and technology capabilities whilst delivering on our 2030 AI Roadmap, establishing a trusted data and knowledge base, build skills and trust in AI and build the AI team, talent and community.

### Innovation productionisation

In our BP3 plan we set aside funding for innovation productionisation. This funding enables us to transition successful innovation initiatives into operational NESO products and services, supporting the delivery of significant benefits to industry and our customers. This funding is intended to be a flexible, agile resource that supports delivery. Projects requiring formal IT productionisation are aligned with our technology strategy, commercial terms, support requirements, and security standards. This approach ensures that NESO can swiftly catalyse the realisation of benefits and accelerate innovation.

One example of projects that we have delivered this year is the Battery Storage Model for Enhanced Connection Assessments (BATSEC). This innovation project improves the accuracy of network planning and connection assessments by replacing overly conservative battery storage assumptions with a market-informed, data-driven dispatch model.

Prior planning assumptions treated battery storage simplistically, overstating network reinforcement needs and increasing connection times and costs. This conservative approach risked inefficient investment decisions and poorer outcomes for consumers.

BATSEC uses historic market data to simulate battery energy storage system operations in the frequency response, arbitrage and balancing mechanism markets explicitly capturing

market-stacking behaviour. This model is integrated into NESO's Construction Planning Assumptions tools, enabling automated, repeatable and more realistic planning outputs.

This targeted low-cost innovation (implementation cost £0.4m) delivers enduring benefits through reducing unnecessary network reinforcement, improving connections timelines for battery customers and supporting connections reform by enabling more proportionate assessments.

# Supporting Functions

## Corporate Functions

Our corporate functions support NESO to achieve its strategic priorities through strong financial stewardship, developing talent and capability, acquiring and maintaining our properties and managing risk and reputation.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 70 | 418 | 75 | 456 | (5) | (38) |
| Investment | 8 | | 18 | | (10) | |
| **Corporate Functions Total** | **78** | **418** | **93** | **456** | **(16)** | **(38)** |

### Operating Cost

Our operating costs for corporate functions were £5m lower than our BP3 forecast.

Despite our proactive approach, the competitive landscape for early career talent remains challenging, with increased demand across the sector leading to fewer successful appointments. In FY26 we had 22 fewer graduates and trainees across our early careers schemes compared to our forecast level of 105 FTE. To mitigate these recruitment challenges, for our 2026 recruitment campaign we made the decision to outsource the recruitment element of Early Careers to a third-party supplier, following a competitive process. This has proven an effective delivery model which is cost effective when compared to the in-house cost, and the result has generated high quality candidates and proven a better candidate experience. This approach has already increased the number of applications for our graduate roles from 2,400 applications for 2025 to over 10,000 for the 2026 intake.

Throughout the period, our people function has operated within the overall BP3 headcount levels. To optimise costs, the function has implemented in-sourcing for learning and development activities, resulting in the addition of two FTEs and annual savings of £600k. Furthermore, cost per hire has been reduced by utilising an in-house talent acquisition team, thereby eliminating reliance on external recruitment agencies.

We have prioritised additional headcount in our procurement team. At the end of the year there were 8 higher FTE than in our BP3 plan. 3 Engineering Services FTE were transferred in to bring procurement activities under a single team. The additional 5 FTE headcount and some further support through an MSP at an additional cost of £2m, have been necessary to support the

transition of contracts from National Grid as well as support the integration of a new procurement system, consolidating two legacy applications into one procurement and supplier management software platform that will digitise and streamline our source-to-pay processes. This incremental cost has been offset across other areas of the CFO function where we incurred lower than anticipated audit fees and employee related benefit taxes.

Costs for the external affairs team were overall £3m lower than the BP3 forecast due to lower third-party contract spend. Anticipated spend on media tools is being delivered through the new London Office fit-out and media training is being targeted on a specific needs basis rather than being delivered more broadly. Therefore, overall levels of third-party contract spend have remained in line with the prior year.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 800 | Digital Change for Enabling Functions | 2 | 5 | (3) |
| | Property | 6 | 13 | (7) |
| | **Corporate Functions Total** | **8** | **18** | **(10)** |

Property investments were £7m lower than our BP3 forecast. The focus for spend in BP3 has been on maintenance and minor upgrades at our sites to mitigate any risks associated with our buildings and facilities, whilst beginning the fit-out of our new London Office.

A comprehensive refurbishment of our Wokingham property has been deferred whilst options and overall property strategy are considered. The site continues to be maintained, and essential works are carried out with consideration to a future refurbishment.

In FY26, we began rolling out digital solutions for our enabling functions. We approved £3m to further develop digital tools for the strategy and policy teams, but postponed major spending on finance and people functions until FY27, to support the move from legacy systems to new NESO applications in April 2026. As a result, we spent £3m less than planned in our BP3 budget.

## Examples of delivering value for money in corporate functions

### Investor Relations

Investor confidence is critical for CP30, market design, connections reform, system planning and policy recommendations, and our role is to ensure NESO's propositions are attractive, financeable, and viable.

Our commercial finance team regularly engages with both strategic and financial investors through bilateral meetings and quarterly forums. We gather insights on market concerns and investment needs to shape our security levels, contract terms, and risk allocation for the full investment chain. At the same time, we share NESO's plans, opportunities and market positions to improve investor understanding of the energy system and address any questions.

Our work builds investor confidence, helps NESO anticipate risk, avoid unintended consequences, and ultimately supports value for money by reducing financing risk and the cost of capital borne by consumers.

### Procurement

The Engineering Services framework supports NESO teams by providing both onshore and offshore resourcing options. This flexibility allows teams to source help for short-term projects or ongoing business-as-usual (BAU) tasks as needed. Offshore teams ensure consistent and standardized processes in BAU work by adhering to specific service level agreements and key performance indicators. These standards enable transparent monitoring and guarantee a uniform level of high-quality performance. As a result, NESO teams experience predictable outcomes, strong quality assurance, and more streamlined operations, all contributing to enhanced efficiency, reliability, and value for money. Currently, about 130 offshore full-time FTE support essential activities such as network modelling, balancing and revenue services, connections, and EMR. Compared to hiring onshore staff, this approach has already saved an estimated £5.7m during the BP3 period.

Consultancy represents a significant portion of our expenditure. To optimise value for money and comply with procurement best practices, we use a General Management Consultancy (GMC) framework to manage our consultancy procurement. Through this framework, we conduct mini competitions among pre-approved suppliers, ensuring adherence to compliance standards, strategic alignment, and cost-effectiveness. Running mini competitions rather than making direct awards drives better commercial outcomes. Recent contract awards show that we are achieving up to a 47% discount compared to standard GMC framework rates.

### Tax and Treasury management

Since the introduction of BSUoS fixed tariffs NESO is exposed to significant cashflow volatility and is further exposed to significant profit volatility which drives large corporation liabilities or losses. Under National Grid ownership tax losses could be effectively utilised across the National Grid group thereby ensuring a timely recovery and predictable cashflow. NESO is only able to utilise tax losses against its own profits and under current tax legislation and NESO's status as a not-for-profit organisation, this can lead to tax losses which cannot be fully recovered for many years. To protect NESO's cashflow our licence allows us to recover these 'stranded losses' through consumer bills.

In the first year of the fixed tariff regime BSUoS revenues were in excess of £800m over collected which contributed towards an overall corporation tax payment of £193m, which represents almost 30% of our overall working capital facility. During FY26 we have been working alongside our external tax advisors to maximise the recovery of tax paid through effective planning. This has reduced the amount of tax that would have had to recovered through consumer bills.

Our treasury function manages cashflow to ensure cash is available as needed, drawdowns on our facilities minimised and that any excess cash generates a low risk return for consumers. During FY26 we returned £16m interest to consumers through BSUoS revenues.

### Regional Offices

Our role in RESP requires us to maintain an effective physical presence across 11 UK regions to support locality-based planning, stakeholder engagement, and delivery of whole system outcomes. This ensures local voices are heard and helps direct effective investments to meet community needs.

From an economy perspective, NESO has taken a measured and policy led approach to office provision. Our regional footprint is not designed for scale or prestige, but to meet clearly defined

RESP and operational requirements at low sustainable cost and low risk. We are introducing new or interim locations only where required to meet clear policy and operational needs. This approach avoids the inefficiencies associated with ad hoc or reactive accommodation decisions, such as repeated short-term leasing, reliance on external venues, or fragmented facilities. To date we have secured office space in Leeds, Manchester, Milton Keynes, Norwich and Cardiff.

### Talent Acquisition

The creation of a new standalone NESO has required a significant amount of additional people. Additional resource has been required to support new whole system energy roles, create advisory capacity, design and implement market reforms and stand up new independent functions that were previously delivered through National Grid. Our 9-person in-house talent acquisition team made 683 hires (excluding early careers programmes) in FY26 at a total cost of £860 per hire. This compares to data from the Chartered Institute of Personnel and Development (CIPD) indicating that the average cost to fill a vacancy is around £6,125 for professional roles in the UK. Using an in-house team and therefore avoiding the cost of using external recruitment agencies has saved over £3m. A proportion of this in-house team has been hired through fixed term contracts allowing flexibility as the level of recruitment changes and therefore continuing to minimise cost.

## Cyber & Physical Security

We will create a resilient and secure organisation that supports NESO's transition to net zero.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 20 | 66 | 21 | 78 | (1) | (12) |
| Investment | 8 | | 8 | | 1 | |
| **Cyber & Physical Security Total** | **28** | **66** | **28** | **78** | **(0)** | **(12)** |

### Operating Cost

Operational spend to deliver our cyber and physical security role was £1m lower than our BP3 forecast. Most of the spend (£13m) is incurred through our TSA arrangements with National Grid with the rest being balanced between internal resources and MSPs. We are in the stages of building our own security capability as we separate from National Grid, which requires a different skillset to running the function, and has meant the mix of resources this year has been skewed towards MSPs rather than permanent employees, hence 12 fewer FTEs than we had forecast.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| | Cyber Security TSA | 3 | 0 | 3 |
| 780 | Security | 5 | 8 | (2) |
| | **Cyber & Physical Security Total** | **8** | **8** | **1** |

Investment in security has been broadly in line with forecasts with the majority being delivered through the National Grid TSA.

## Digital & Technology Support

We manage the provision of IT service delivery across all NESO functions. We ensure the right digital, data and technology principles, tools, standards and strategies are in place to achieve NESO's objectives.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 136 | 108 | 83 | 121 | 53 | (13) |
| Investment | 1 | | 0 | | 1 | |
| **Digital & Technology Support Total** | **137** | **108** | **83** | **121** | **54** | **(13)** |

### Operating Cost

Most of the costs in our Digital and Technology support activity relate to the contracts that underpin our IT applications and platforms, including application support and maintenance, hosting, software licencing, network services and digital workplace services. During FY26 we spent £121m on Technology contracts which was £50m more than our BP3 forecast. £33m of this variance is due to assumptions in our forecast as to where costs or savings would materialise. We had targeted efficiencies of £17m across all our DD&T activities which was forecast as a reduction in technology support costs but was delivered through lower spend in the DD&T investment portfolio. Additionally, we incurred £16m of cloud hosting costs which have been reported as technology costs but had been forecast across projects within the investment portfolio. The true underlying cost increase compared to our BP3 forecast was therefore £17m. This was due to higher than anticipated incremental licensing and support costs for applications and platforms introduced through the RIIO-2 period. Additionally, cost dis-synergies associated with dual running and new standalone NESO contracts resulting from the separation of foundational services from National Grid contributed to higher spend. These risks had been highlighted in our FSO blueprint, and we are working through our delivery and procurement teams to minimise any upward cost pressure.

Our functional excellence team supports the pivot to agile delivery whilst maintaining governance, processes, controls and digital contract management. During the year we spent an additional £3m on third party contracts which was mainly to support the transition from National Grid services. We introduced a TSA office and a Day 2 separation office to manage transitional service arrangements, new digital contract activity and novation of contracts to NESO. Ensuring these activities are adequately resourced brings value through ensuring timely exit of TSAs, thorough challenge and review of costs incurred from National Grid as well as ensuring new digital contracts are set up under a new robust data and digital procurement framework. Additional costs incurred in FY26 are expected to reduce as we exit TSA agreements in September 2026.

## Examples of delivering value for money in Digital & Technology Support

### Licence procurement

Separation from National Grid has meant that all technology contracts must be novated to NESO with a risk of less favourable terms. Our DD&T and procurement teams have successfully mitigated costs dis-synergies on key licences as follows:

*Please note that some commercially sensitive information in this section has been redacted.*

- [redacted] By leveraging a government purchasing framework, we secured improved terms for a £4-5m annual contract, delivering approximately a 10% cost reduction (compared to prior year pricing) and, more importantly, long term cost stability. While our usage is expected to grow, the new framework aligned commercials significantly limit future cost increases, representing a stronger and more sustainable position than legacy National Grid arrangements. Contract terms are agreed in principle, with completion expected in May 2026.
- [redacted] Through moving onto a public sector framework and optimising licence usage, we have secured forecast savings of around £700k (compared to prior year pricing), equating to a 30% reduction in run costs. This outcome improves affordability while ensuring the platform continues to scale in support of NESO's evolving operating model.
- [redacted] We estimate, based on planned growth, that an unlimited licence agreement avoids costs of over £2m. Further benefits were driven through managing to secure the same favourable framework terms and conditions as National Grid and an agreement that there would be no charges for dual running whist migrating applications to NESO. These were both significant concessions that deliver long term value to consumers.

Securing favourable terms on these contracts has made a significant contribution to mitigating the risk of cost dis-synergies associated with separation from National Grid.

# Transformation

In this role we deliver transformational activities and programmes that support NESO's strategic priorities. This activity mostly supports our Separated NESO Systems, Processes and Services performance objective.

| | Actuals | | BP3 | | Variance to BP3 | |
|---|---|---|---|---|---|---|
| **Spend Category** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** | **Cost (£m)** | **FTE** |
| Operating Cost | 4 | 87 | (0) | 97 | 4 | (10) |
| Investment | 71 | | 81 | | (10) | |
| **Transformation Total** | **75** | **87** | **81** | **97** | **(6)** | **(10)** |

### Operating Cost

Most of the cost incurred in transformation activities is through specific investments. In FY26 there were a small amount of activities related to National Grid separation that did not fall within the separation investment such as one-off costs associated with training and career architecture.

### Investment

| ID | Investment | Actuals | BP3 | Variance to BP3 |
|---|---|---|---|---|
| 810 | REMA | 0 | 1 | (0) |
| | Contingency Control Centre | 4 | 26 | (22) |
| | Separation from National Grid Day 2 | 65 | 55 | 10 |
| | OSA | 3 | 0 | 3 |
| | **Transformation Total** | **71** | **81** | **(10)** |

Following the government decision in July 2025 to retain a single national wholesale electricity price, we have not progressed the planned REMA discovery work. We continue to review investment needs as future policy develops.

During BP3 NESO has continued to deliver the programme to look at the longer-term resilience of our control operations and the establishment of a new contingency control centre. We are not providing detailed information in this report for security reasons. Ofgem noted in their BP3 final determinations that this project was an area where costs were highly uncertain, and we have kept Ofgem informed of our progress and spend as the project has developed.

We continue to transition our systems, processes and services from National Grid in line with our target to exit TSAs by the end of September 2026. In our BP3 cost annex we set out our plan to separate our data and systems from National Grid at an overall cost of £105m. This programme is delivering benefits earlier than had been set out in our FSO blueprint through streamlining and automating processes, enabling technological advances such as AI, increasing transparency of data to improve decision making and automating controls to manage, monitor and govern compliance and risk. Whilst we are still expecting to deliver the programme within the Board

approved cost of £105m, the phasing of spend means that we have spent an additional £10m in FY26 (£16m of this relates to an underspend in FY25 which was carried forward into FY26).

During the year we decided to commence the separation of operational systems and processes from National Grid earlier than planned. This has resulted in an additional spend of £3m that was not included in our BP3 forecast but does not result in overall additional cost for these separation activities (details of this spend are outlined below).

## Examples of delivering value for money in Transformation

### Operational Services Agreement (OSA) Exit

OSAs with National Grid were established to ensure NESO could operate safely and reliably from its first day as an independent organisation, while longer-term independent NESO managed systems and processes were developed. They cover critical services such as Critical National Infrastructure (CNI) hosting, networks, control room telephony, metering operations, and contingency arrangements — all essential to day-to-day operations. Exiting OSAs is fundamental to NESO's independence, to reducing reliance on ageing and increasingly costly platforms, and to securing modern, fit-for-purpose solutions that improve cyber and operational resilience.

During BP3 we decided to pull forward spend to stand up an OSA exit programme. This prioritisation decision was ratified by our Portfolio Review Board in October 2025, prior to the spend being formally sanctioned. Bringing forward this spend delivers consumer value through allowing early design and procurement work to move ahead. Starting this programme earlier will also reduce the risk of service disruption due to ageing infrastructure as well as de-risk overall milestones. As new, modern systems replace ageing infrastructure, we will see a steady reduction in ongoing run the business costs; we estimate around 10–15% from FY28 onwards.

### Day 2 Transformation

In FY26, the Foundational Services workstream has delivered a number of core enabling services required for NESO to operate as an independent organisation, reducing reliance on National Grid Transitional Service Agreements (TSAs) and enabling controlled transition to NESO-owned services. This includes:

- Delivery of a secure switchover of our enterprise networks, therefore supporting the ongoing resilient connectivity required for our operations to maintain services to our customers and stakeholders.
- Ongoing migration activities, including M365, user laptops and in house applications that have supported our staff to maintain their capability to support our stakeholders through the period.
- Establishing cyber and physical security services required for us to operate safely and compliantly, minimising risk to our stakeholders.
- Launching our own, in-house, IT service management capability enabling us to manage incidents, changes and service continuity independently, therefore increasing our ability to prioritise what matters to our customers.

Additionally, during the year, we have completed implementation of our new integrated People, Finance and Procurement systems to drive a more seamless operation and independence for

NESO. This establishes a strong foundation for digital leadership, enabling future growth and innovation within the organisation. It will also increase efficiency and allow teams to work unconstrained, improving organizational effectiveness. Finally, it will further position NESO as a standalone, credible, and modern organization with our wider stakeholders.

We have actively constrained costs by re-phasing delivery in line with revised milestones, avoiding premature or inefficient spend and constantly ensuring spend reflects our deliverables and actively managed our dual-running and TSA-related costs to ensure their drop-off limits the duration and scale of transition inefficiencies. Additionally, we've identified cost reduction opportunities, including the scaling down of Business Change resources as delivery completes, demonstrating ongoing optimisation rather than "set and forget" project resourcing. Risks and delivery uncertainties have also been explicitly identified and managed, supporting informed decision-making and reducing the likelihood of cost shocks later in the transition.

# Cost Tables

| Role | Activity | Actuals | | BP3 | | Variance | |
|---|---|---|---|---|---|---|---|
| | | £m | FTE | £m | FTE | £m | FTE |
| **Energy Markets** | Code Administration & Market Frameworks | 5 | 53 | 5 | 50 | 0 | 3 |
| | Electricity Market Reform (EMR) Delivery Body | 4 | 45 | 4 | 48 | (0) | (3) |
| | Long Term Market Design | 4 | 46 | 6 | 52 | (2) | (6) |
| | Market Development & Operations for Electricity System Balancing | 7 | 83 | 7 | 89 | (0) | (7) |
| | Market Monitoring | 1 | 9 | 1 | 8 | 0 | 1 |
| | Central Costs - Energy Markets | 1 | 5 | 2 | 3 | (2) | 2 |
| | Energy Markets Investments | 27 | 0 | 31 | 0 | (5) | 0 |
| | **Energy Markets Total Costs** | **48** | **241** | **57** | **250** | **(9)** | **(9)** |
| **Strategic Energy Planning** | Centralised Strategic Network Planning | 10 | 85 | 8 | 85 | 2 | 0 |
| | Gas Network Development | 2 | 25 | 2 | 21 | 0 | 4 |
| | Network Competition | 2 | 8 | 2 | 5 | (0) | 3 |
| | Regional Energy Strategic Planning (RESP) | 16 | 131 | 17 | 153 | (1) | (22) |
| | Strategic Spatial Energy Planning (SSEP) | 8 | 49 | 8 | 48 | (0) | 1 |
| | Zero Carbon Operation Strategy | 4 | 32 | 8 | 31 | (4) | 1 |
| | Hydrogen Planner | 0 | 0 | 0 | 0 | 0 | 0 |
| | Central Costs - Strategic Energy Planning | 8 | 54 | 10 | 104 | (2) | (49) |
| | Strategic Energy Planning Investments | 8 | 0 | 14 | 0 | (6) | 0 |
| | **Strategic Energy Planning Total Costs** | **58** | **384** | **69** | **446** | **(11)** | **(62)** |
| **Energy Insights** | Policy Advice | 2 | 19 | 2 | 16 | 0 | 3 |
| | Scenario Development | 4 | 38 | 5 | 47 | (1) | (9) |
| | Whole Energy Insights | 3 | 24 | 5 | 32 | (1) | (8) |
| | Central Costs - Energy Insights | 1 | 13 | 1 | 7 | 0 | 6 |
| | Energy Insights Investments | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Energy Insights Total Costs** | **11** | **94** | **12** | **102** | **(1)** | **(8)** |
| **Security of Supply Modelling** | Energy Security Modelling & Insights | 4 | 36 | 4 | 32 | (0) | 4 |
| | Central Costs - Security of Supply Modelling | 0 | 0 | 0 | 0 | 0 | 0 |
| | Security of Supply Modelling Investments | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Security of Supply Modelling Total Costs** | **4** | **36** | **4** | **32** | **(0)** | **4** |
| **Energy System Resilience** | Electricity System Restoration | 4 | 42 | 5 | 50 | (1) | (8) |
| | Emergency Readiness & Response | 2 | 27 | 3 | 25 | (0) | 2 |
| | Energy Sector Security | 2 | 22 | 3 | 23 | (0) | (1) |
| | Hydrogen Security | 0 | 0 | 0 | 0 | 0 | 0 |
| | Central Costs - Energy System Resilience | 1 | 2 | 0 | 2 | 1 | 0 |
| | Energy System Resilience Investments | 2 | 0 | 5 | 0 | (3) | 0 |
| | **Energy System Resilience Total Costs** | **11** | **93** | **16** | **100** | **(4)** | **(7)** |

| Role | Activity | Actuals | | BP3 | | Variance | |
|---|---|---|---|---|---|---|---|
| | | £m | FTE | £m | FTE | £m | FTE |
| System Operations | Operational Readiness | 6 | 51 | 7 | 52 | (1) | (1) |
| | Network Control Programme | 2 | 25 | 2 | 25 | (0) | 0 |
| | Balancing Programme | (1) | 34 | (0) | 35 | (1) | (1) |
| | ENCC Real-Time Operations | 18 | 125 | 18 | 136 | 0 | (11) |
| | Future ENCC Design | 3 | 23 | 1 | 25 | 1 | (2) |
| | Network Access Planning | 9 | 103 | 6 | 85 | 3 | 18 |
| | Operational & Performance Insights | 5 | 88 | 7 | 88 | (2) | 0 |
| | Central Costs - System Operations | 10 | 6 | 7 | 6 | 2 | 0 |
| | System Operations Investments | 71 | 0 | 70 | 0 | 1 | 0 |
| | **System Operations Total Costs** | **123** | **455** | **119** | **451** | **4** | **3** |
| Network Operability & Connections | Connections Strategy | 1 | 14 | 1 | 9 | 0 | 5 |
| | Connections Policy & Change | 26 | 54 | 8 | 35 | 18 | 19 |
| | Connections Operations | 7 | 103 | 5 | 80 | 2 | 23 |
| | Network Operability Modelling | 3 | 26 | 3 | 27 | (0) | (1) |
| | Network Operability Services | 6 | 69 | 6 | 80 | 0 | (11) |
| | Network Services Procurement & Balancing Services Contracting | 3 | 26 | 4 | 21 | (0) | 5 |
| | Central Costs - Network Operability & Connections | 1 | 5 | 0 | 2 | 0 | 3 |
| | Network Operability & Connections Investments | 14 | 0 | 17 | 0 | (4) | 0 |
| | **Network Operability & Connections Total Costs** | **60** | **297** | **44** | **254** | **17** | **43** |
| Facilitating Sector Digitalisation | Interim Data Sharing Infrastructure (DSI) Coordinator | 0 | 5 | 1 | 12 | (1) | (7) |
| | Central Costs - Facilitating Sector Digitalisation | 0 | 0 | 0 | 0 | 0 | 0 |
| | Facilitating Sector Digitalisation Investments | 4 | 0 | 6 | 0 | (2) | 0 |
| | **Facilitating Sector Digitalisation Total Costs** | **4** | **5** | **7** | **12** | **(3)** | **(7)** |
| Role Delivery Support | Customer | 3 | 32 | 4 | 31 | (2) | 1 |
| | Data Science & AI | 2 | 29 | 4 | 43 | (2) | (14) |
| | Operational Leadership | 1 | 3 | 1 | 3 | (0) | (0) |
| | Innovation | 3 | 43 | 5 | 51 | (2) | (8) |
| | Programme Management & Technology Delivery | 14 | 314 | 22 | 356 | (8) | (41) |
| | Role Delivery Support Investments | 26 | 0 | 41 | 0 | (15) | 0 |
| | **Role Delivery Support Total Costs** | **48** | **420** | **77** | **484** | **(29)** | **(64)** |

| Role | Activity | Actuals | | BP3 | | Variance | |
|---|---|---|---|---|---|---|---|
| | | £m | FTE | £m | FTE | £m | FTE |
| Corporate Functions | Assurance | 3 | 26 | 3 | 27 | (0) | (1) |
| | Corporate Strategy | 1 | 10 | 1 | 10 | (0) | (0) |
| | External Affairs | 4 | 37 | 7 | 38 | (3) | (1) |
| | Finance & Procurement | 20 | 154 | 22 | 146 | (2) | 8 |
| | Legal | 5 | 28 | 6 | 24 | (1) | 3 |
| | People | 11 | 67 | 9 | 71 | 2 | (4) |
| | Property | 15 | 0 | 15 | 0 | 0 | 0 |
| | Portfolio Management | 1 | 7 | 1 | 12 | 0 | (5) |
| | Regulation | 1 | 15 | 2 | 20 | (1) | (5) |
| | Graduates | 3 | 70 | 5 | 105 | (1) | (35) |
| | Office of the CEO | 4 | 5 | 3 | 3 | 1 | 2 |
| | Corporate Functions Investments | 8 | 0 | 18 | 0 | (10) | 0 |
| | **Corporate Functions Total Costs** | **78** | **418** | **93** | **456** | **(16)** | **(38)** |
| Cyber & Physical Security | Physical & Cyber Security | 20 | 66 | 21 | 78 | (1) | (12) |
| | Cyber & Physical Security Investments | 8 | 0 | 8 | 0 | 1 | 0 |
| | **Cyber & Physical Security Total Costs** | **28** | **66** | **28** | **78** | **(0)** | **(12)** |
| Digital & Technology Support | Digital & Technology Support Contracts | 121 | 3 | 71 | 3 | 50 | 0 |
| | Digital Strategy & Architecture | 6 | 48 | 6 | 56 | (0) | (8) |
| | Functional Excellence | 9 | 56 | 6 | 62 | 3 | (6) |
| | Digital & Technology Support Investments | 1 | 0 | 0 | 0 | 1 | 0 |
| | **Digital & Technology Support Total Costs** | **137** | **108** | **83** | **121** | **54** | **(13)** |
| Transformation | Day 2 Transformation | 4 | 82 | 0 | 86 | 3 | (4) |
| | Project Juliet | 0 | 5 | (0) | 11 | 1 | (6) |
| | REMA | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transformation Investments | 71 | 0 | 81 | 0 | (10) | 0 |
| | **Transformation Total Costs** | **75** | **87** | **81** | **97** | **(6)** | **(10)** |
| **Grand Total** | **Grand Total** | **686** | **2704** | **690** | **2884** | **(4)** | **(180)** |

# Meeting Reporting Obligations

Ofgem's Performance Assessment Guidance Document (PAGD) sets out the criteria for exceeding expectations in demonstrating value for money for the BP3 assessment period. A summary of how we have met the guidance is set out below.

*Clear evidence that NESO is operating to the highest standards, following best industry practice in planning and delivery, and taking all reasonable steps to maximise the value of its delivery through ongoing improvement.*

Throughout this report we have provided specific examples of where we have delivered both monetised and non-monetised benefits with examples crossing over different stakeholder groups such as consumers, investors and the wider GB plc. We have provided examples of where we have sanctioned additional spend to drive benefits and where we have stopped spend where benefits could be delivered more efficiently. We have described how we managed uncertainty in new programmes such as RESP and where we continue to deliver value in our day-to-day operations such as procurement and recruitment. Throughout the period we have continued to demonstrate to Ofgem how we use best practice in planning and delivery of DD&T solutions through the Cost Monitoring Framework (CMF).

*NESO has clearly responded to all areas of ex-ante feedback on value for money Ofgem provides in the BP3 determinations.*

There were two clear areas of feedback from BP3 Final Determinations.

Firstly, there were two areas where cost forecasts were not yet at a mature stage with further Ofgem engagement required when forecasts become more certain.

For the RESP role we have shared further justification of FTE in the Detailed Design Operating Model playbook. We have also provided artifacts that show how we internally challenged FTE requirements.

We have shared the business case development for our contingency control centre and had several meetings with Ofgem to walk through as the project has developed.

Secondly, Ofgem set an expectation that NESO should transparently publish a further breakdown of costs, with accompanying narrative. This was done through the publication of Annex E to our BP3 plan.

*NESO provides a high level of transparency over its expenditure and proactively provides information to demonstrate value for money.*

In October 2025 we published a further annex to our BP3 plan outlining in detail our spend by role and activity and providing a more detailed narrative around each activity.

In Q3 FY26 we began to enhance our monthly Business Performance Reporting to Ofgem, with the addition of a Value for Money pack of information. This showed monthly spend against BP3 plan in the same level of detail as we had set out in Annex E to our BP3 plan. We also set out summaries of all the spend that had been sanctioned in FY26 through the NESO sanctioning

committee. Further we set out examples of where we thought NESO had delivered value for money during the period. We will continue to develop this reporting pack through the NESO1 period.

*Changes from forecast expenditure throughout the year are clearly explained and justified, with the consumer value of deviations clearly demonstrated.*

In this report we have provided reasons for material movements in operating cost, FTE and investment for each role. Not all spend variances are examples of delivering value for money, for example variances arise for reasons of forecast cost uncertainty, overall programme timing or where people have transferred between activities to better align capability.

*Very limited / immaterial examples throughout the year of expenditure that could have achieved better value.*

We recognise that there are two areas where costs significantly have exceeded our forecast for BP3; connections reform and technology contracts. In both cases the additional cost was incurred in areas of significant change where cost estimates for BP3 were based on the best information available at the time of forecasting. We consider that in both cases whilst costs were higher than forecast, spend was made with appropriate governance and oversight and that costs were necessary to support delivery of planned outcomes.

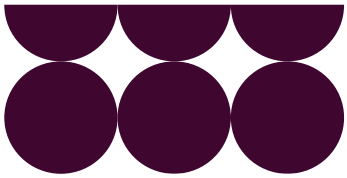
# NESO Processes & Governance

NESO employs a robust governance process in the development of its business plans and tracking of performance that includes the following key steps:

**Corporate Strategy**
The Board is accountable for the overall strategy and direction of the Company. It assures performance against its execution through effective corporate governance. The Board operates a forward agenda of standing items appropriate to the operating and reporting cycles and receives regular and timely information on all key aspects of the business, including risks and opportunities, operations, financial and regulatory reporting, market conditions, relationships with regulatory bodies and human resources, legal, compliance, and regulatory matters, supported by a KPI Scorecard allowing supervision of performance against our strategic initiatives. The Board is prepared for meetings through the review of detailed pre-read materials and pertinent updates between meetings, where relevant.

**Strategic Priorities**
NESO's purpose is "Forging a path to a sustainable future for everyone" with a vision of "A future where everyone has access to reliable, clean and affordable energy; our work will be a catalyst for change across the global community." In support of setting the direction of the company six strategic priorities have been set:

- **Clean Power:** We will enable a zero-carbon electricity system by adopting a whole system approach, encouraging innovation and collaboration.



- **Decarbonised Energy:** We will develop integrated plans for a decarbonised, efficient and flexible energy system fit for the future.
- **Consumer Value:** We will have unlocked around £3 billion of consumer benefits by 2026 through delivery of our commitments.
- **Customer Centricity:** We will understand and balance the different needs of our customers to form meaningful partnerships.
- **Digital Mindset:** We will unlock the potential of technology and teamwork through a digital-first approach, enabling a future of seamless connectivity and innovation at pace.
- **People Value:** We will invest in our people, to ensure we are prepared and empowered to embrace the opportunities of the future.

### Business Strategy

The Executive Committee is responsible for governing the effective execution of the corporate strategy, the allocation of resources to it and tracking performance against it. The Operating Committee is responsible for delivery of the business plan and the commitments within it.

From the corporate strategy, leaders within the organisational design set:

- **Business objectives:** specific measurable steps defined to achieve strategic goals. These are developed through a series of workshops with business leaders ensuring objectives and goals are aligned.
- **Investment requirements:** specific investments in the operating model required to achieve business objectives. These include investments in infrastructure, technology, people and processes. These are developed through collaboration across the business ensuring the operational directorates are effectively supported by corporate functions.
- **Success Measures:** indicators of performance that are reported and tracked through the governance arrangements in NESO. These include operational measures, financial measures and investment delivery.
- **Key deliverables**: specific outputs provided to stakeholders of NESO that are a core function of the service NESO provides.

## Industry collaboration

NESO employs a collaborative approach with stakeholders in the development of its Corporate Strategy and Business Plan. Through regular formal engagements a draft business plan is developed that is consulted on ahead of formal submission to Ofgem. It is through this collaborative approach that NESO ensures it is delivering on behalf of its stakeholders and primary and secondary duties. Feedback through the consultation process is taken onboard and reflected in the final business plan submission.

## Governance model and decision making

A core part of the iterative approach to developing NESO's Corporate Strategy and Business Plan and tracking delivery and performance is the governance and oversight model deployed.

NESO is acutely aware that a rapidly evolving energy landscape means it will need to continually reassess where it is directing its resources to ensure it optimises overall delivery. NESO deploys 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 review management performance. The Board sets our values and standards and ensures that its obligations to its shareholders 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):** 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.
- **Quarterly Finance and Risk reviews:** these are formal, quarterly governance reviews chaired by the CFO, bringing together financial performance, forward look, and risk position at directorate level, with escalation to OpCo or ExCo as needed.
- **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.

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