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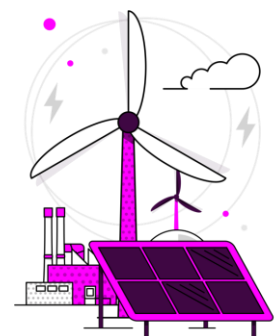
# National Energy System Operator

Annex 6 (republished)  
NESO1 Cost Narrative

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Note that this document should be read in conjunction with the NESO Cost Template excel workbook.



## Executive Summary

In November 2025, we published our second business plan as the National Energy System Operator outlining our approach to delivering secure, affordable, and sustainable energy for everyone. At that time, our cost projections were based on a strategic top-down planning approach, rolling forward our BP3 plan and adjusting the cost base where we expected to take on new activities or see material changes to our previous cost assumptions. We are now republishing Annex 6 following completion of our corporate budgeting process, in line with standard organisational practice. This document replaces the narrative published in November 2025 and references to NESO1 costs refer to the costs contained within this new publication.

The primary purpose of this republication is to provide clear visibility of the drivers of change between our BP3 submission and our final corporate budget, ensuring transparency over how strategic intent has translated into funded, deliverable activity. This annex therefore sets out an internally consistent and fully reconciled view of activity, resourcing, and outcomes, highlighting where and why positions have shifted. This includes changes arising from prioritisation decisions, affordability constraints, delivery capacity considerations, and refinement of scope as plans have matured through the budgeting process. This Annex 6 republication provides a clearer articulation of how we have exercised resource discipline within a finite funding envelope, and how we have made trade-offs to ensure alignment with statutory duties and strategic priorities.

Alongside this, we are committing to the delivery of an Efficiency and Economy Programme over the course of NESO1. This programme will develop a zero-based view of the organisation's cost and activity drivers, providing a more detailed understanding of how resources are deployed across the business. Whilst not yet embedded within this annex, its outputs will inform the progressive strengthening of performance metrics, cost transparency, and value for money assessment over the NESO1 period.

## NESO's Corporate Budget Process

Our corporate budgeting process provides a structured, end-to-end framework for translating strategic priorities into a funded and deliverable plan, underpinned by robust governance and rigorous challenge.

The process is designed to ensure that resource allocation is evidence-based, prioritised, and affordable, with clear accountability for decisions and transparency over trade-offs.

Our budget has been built through a series of structured stages:

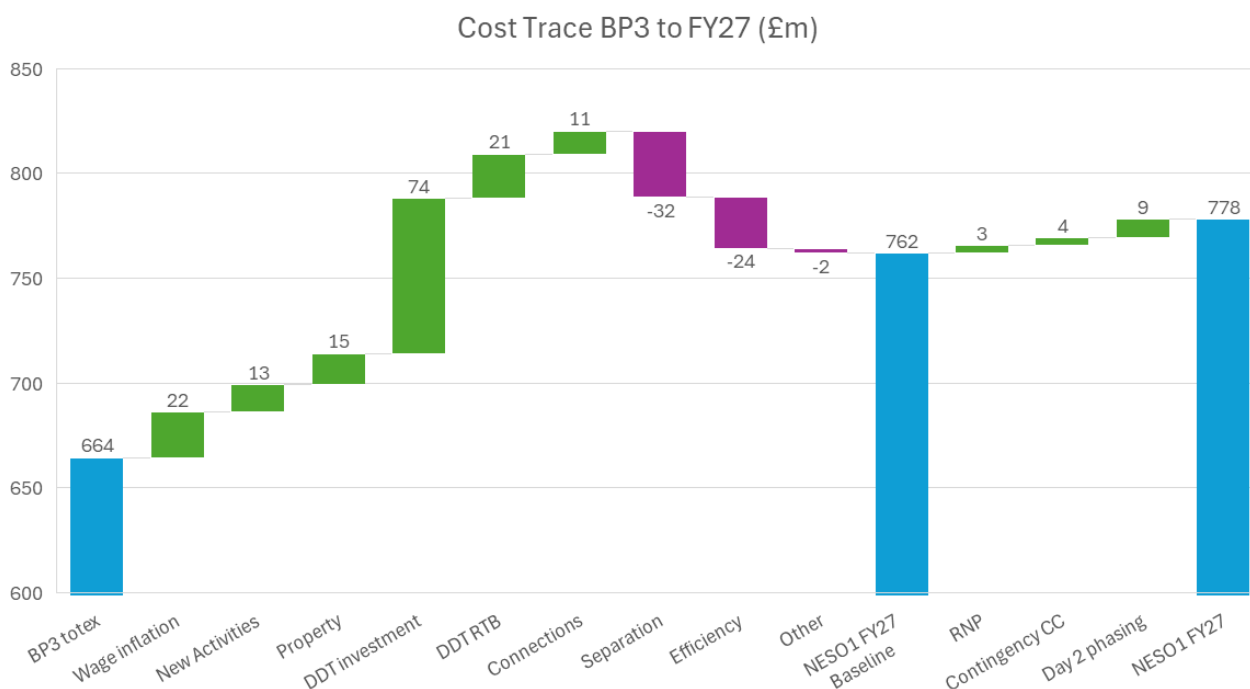
- **Bottom-up development** – Business areas have developed activity, resource requirements, and outputs, grounded in delivery plans.
- **Central consolidation and reconciliation** – Plans have been aggregated and tested for internal consistency, affordability, and alignment to enterprise priorities.

- **Challenge and reprioritisation** – We have been through iterative review cycles to test and refine scope, phasing, and resourcing to align demand within the available funding envelope.
- **Finalisation and approval** – The corporate budget has been reviewed, challenged and approved by the Board and is the authoritative baseline for delivery, performance management, and external reporting.

Our process is underpinned by a clear governance structure, ensuring that decisions are taken at the appropriate level and supported by transparent evidence. Our governance framework ensures that no material allocation decision is made without appropriate scrutiny, and that trade-offs are explicitly recognised and agreed.

## NESO1 Plan Cost Overview

Our detailed cost forecast for FY27 aligns to our cost envelope of £762m that was set out in the November NESO1 publication. We have added an additional £16m of forecast spend to reflect programmes that were excluded from our initial NESO1 publication due to uncertainty or delivery timing. The movement in spend compared to our BP3 plan is set out below.



BP3 totex excludes £26m for the Contingency Control Centre project which was excluded from our NESO1 plan on the basis of significant uncertainty.

**Wage Inflation +£22m** – our forecast includes the full-year impact of additional FTE that were included in our BP3 plan (£9m) as well as an estimate of the impact of annual wage settlements across the organisation in FY27 (£13m).

**New Activities +£13m** – within our system operations function, we initiated two programmes in FY26 addressing skip rates and system access reform (£9m). Both these programmes were approved by our sanctioning committee as they deliver clear consumer benefits. In FY27 we are strengthening our whole energy system resilience capability at an additional cost of £2m which reflects the evolution of this role, expectations from our stakeholders and the increasing system complexity.

**Property +£15m** – increased spend on property compared to BP3 reflects the fit-out and expansion of our London office facilities as well as increased security costs across our major sites. Our investment in property in FY26 focussed on essential maintenance whilst deferring spend on the Wokingham site as longer-term estate strategy options were considered. Our forecast for investment in FY27 reflects enhancements to our Wokingham site, fit out of new regional offices as well as preparatory works for exiting our current Warwick Office.

**DD&T investment +£74m** – our investment in digital, data and technology is largely unchanged from our NESO1 plan publication. The increase compared to BP3 is driven by the programme of work to separate our operational services from National Grid (£22m), continuing development of our Open Balancing Platform (£19m) and remediation of our technical debt driven by the scale and volume of transition to new platforms (£10m). Further details of DD&T investment can be found in the NESO1 Technology Annex.

**DD&T run-the-business costs +£21m** – as we continue to transition to a cloud-based, data-centric, AI-enabled organisation, there is a significant impact on our data operations and consumption of cloud-based services. Additional factors driving higher costs include the scarce technology skills we need and dis-synergies of moving to our own standalone support arrangements.

**Connections +£11m** – cost estimates for our work around connections reform were at a very early stage of maturity in our BP3 plan. Actual expenditure during BP3 exceeded initial forecasts, primarily because of expanded scope, increased assurance requirements, and heightened delivery complexity encountered during the transition from design to execution. The cost of our connections activities is forecast to reduce by £10m in FY27 from the FY26 outturn, through reduced reliance on 3<sup>rd</sup> party support, though costs remain £11m higher than our original BP3 estimate.

**Separation -£32m** – separation costs are declining in FY27 as we transition to our own arrangements for foundational services and exit Transitional Service Agreement (TSA) arrangements by September 2026. The decrease in programme costs (£39m) is partly offset by the creation of new in-house finance and people teams who will provide first line support for our back-office systems as well as continuing to enhance and develop systems. This represents a more cost-effective solution for ongoing support and development of systems than the use of an outsourced support arrangement. Our forecast for FY27 also includes additional FTE in areas such

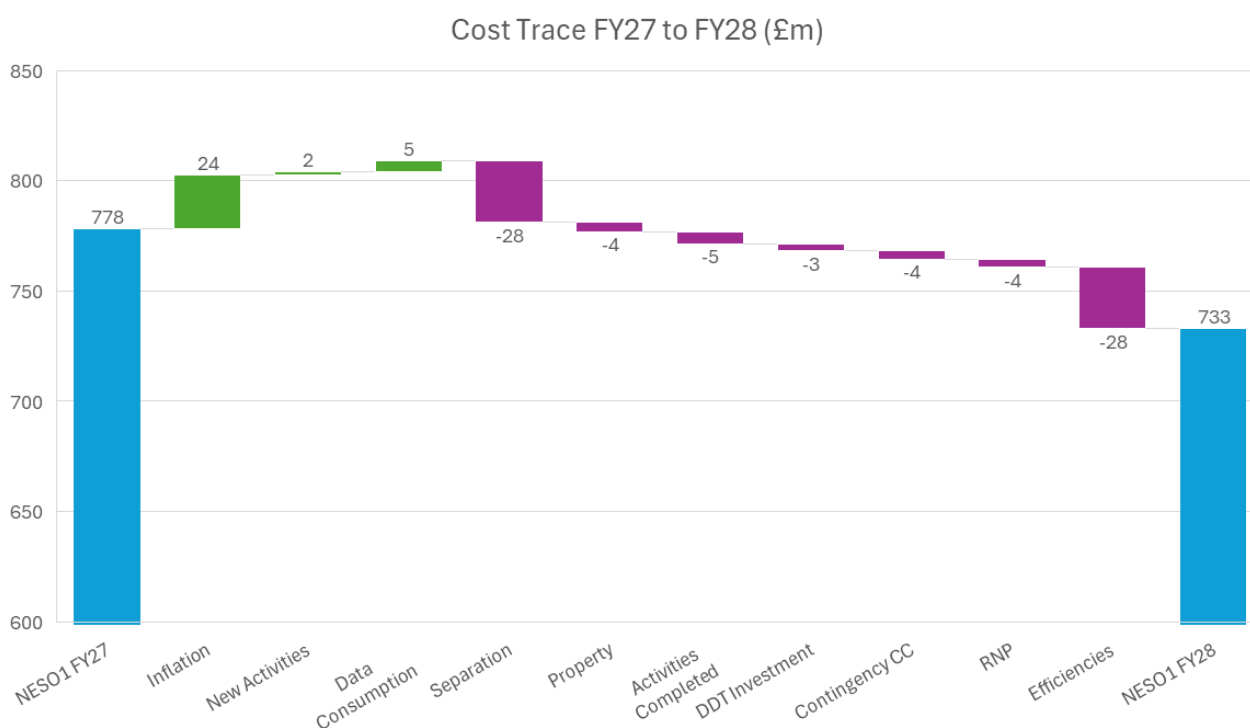
as procurement where more effort is needed to set up standalone contracts and processes following exit from National Grid services.

**Efficiency -£24m** – directorate budgets across NESO have been set for FY27 with targeted efficiencies. Careful consideration has been given to allocation of additional resources ensuring they are deployed where they deliver the greatest impact, processes are streamlined, and services are delivered with agility. Delivery of efficiencies in FY27 will be underpinned by an Economy and Efficiency programme which will start with a zero-based review of the NESO cost base linking outcomes to cost, capability and risk allowing us to deploy resources in the best way to deliver strategic outcomes.

**Reformed National Pricing (RNP) +£3m and Contingency Control Centre +£4m** – our original NESO1 plan excluded any cost estimates for Reformed National Pricing and our Contingency Control Centre on the basis that the high degree of uncertainty around these programmes did not allow a meaningful estimate of cost to be included. We have included forecasts for spend on these programmes for FY27 which leads to an additional cost of £7m compared to our prior view.

**Day 2 +£9m** – we have included an additional £9m of cost for our Day 2 separation due to delivery timing, representing a change to the cost profile rather than an increase in the overall total project budget.

Our cost base for FY28 has been updated to reflect the allocation of resources for FY27. We have done this through applying uplifts for inflation and known drivers of cost increases as well as reflecting lower costs where activities or initiatives have completed. The key movements in cost between FY27 and FY28 are set out below.



**Inflation +£24m** – an additional £24m has been included in the cost base reflecting an estimate of wage and goods and services inflation.

**New Activities +£2m** – our NESO1 plan included 45 incremental FTE based on the expectation that we would adopt and implement the activities of hydrogen strategic planner and hydrogen security. Our latest view is that this capability will build more slowly and therefore only 6 roles were included in FY27 with a further 24 roles being phased in across FY28.

**Data Consumption +£5m** – in line with our NESO1 plan we have included a further £5m in FY28 to reflect the additional data consumption driven by our investment in cloud-based services and AI.

**Separation -£28m:** – reduced spend in FY28 reflects the completion of our foundational services separation project in FY27 and the exit of TSAs with National Grid in September 2026.

**Property -£4m** – we have forecast a £4m reduction in our property investment spend in FY28 compared to FY27, where we are forecasting to incur £4m to complete the fit out of our London office.

**Activities Completed -£5m** – we expect a reduction in cost in FY28 driven by completion of our System Access Reform (SAR) programme as we embed activities into existing teams, and lower consultancy costs following the stand up of our core Regional Energy Strategic Planning (RESP) capabilities.

**DD&T investment -£3m** – technology investment is broadly flat year on year with lower spend on reduction of technical debt (£13m) and separation of operational services (£16m) being offset by increased investment in physical security (£17m) and data sharing infrastructure (£13m).

**RNP and Contingency Control Centre -£4m** – aligned to our NESO1 plan we have excluded cost estimates for Reformed National Pricing and our Contingency Control Centre because of the high degree of uncertainty beyond out FY27 forecasts.

**Efficiencies -£28m** – we are committed to delivering our NESO1 outcomes within the overall cost envelope published in our plan. As mentioned above we anticipate that our Economy and Efficiency programme will support the delivery of the required efficiencies.

## Investments

We have outlined the Digital Data and Technology (DD&T) investments we will make during the NESO1 period in our [NESO1 Digital Data and Technology Annex](#). Investments have been grouped by roles and categorised based on themes which better explain their purpose and impact. To create alignment with the BP3 portfolio of investment we have mapped the BP3 investments to the new NESO1 investments based on the mappings outlined in Appendix 5.1 and 5.2 of the NESO1 DD&T Annex. Categorisation of BP3 investments by role may therefore differ to our BP3 Activity Annex.

The costs and deliverables for DD&T investments are fully documented in the DD&T Investment Annex and are not discussed in this document.

## How to read this document

The following chapters outline our latest view of costs we expect to incur in the NESO1 period based on our corporate budget activity, alongside the forecast costs from our BP3 plan. As in previous documents we present the costs by role. Further detail of the cost by activity can be found in Appendix 1 and in the NESO cost template which we are publishing alongside this annex. All costs in this and accompanying documents, are stated in nominal prices. Tables may not fully cast due to rounding differences.

## Energy Markets

In Energy Markets we develop and operate 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	26	250	27	257	25	257
Investments	31	0	17	0	14	0
<b>Energy Markets Total Costs</b>	<b>57</b>	<b>250</b>	<b>44</b>	<b>257</b>	<b>39</b>	<b>257</b>

### Operational costs

Costs remain broadly in line with our BP3 plan for FY27 and reduce in FY28 due to excluding costs for reformed national pricing because of uncertainty. Additional spend in FY27 primarily comprises of costs in relation to reformed national pricing (RNP) (£4m) and market frameworks (<£1m) offset by intercompany moves (£2m) where teams have been aligned to other directorates and a NESO-wide management efficiency challenge (£2m).

### Reformed National Pricing (RNP) (+£4m/+15 FTE)

Following government's decision to retain a single national wholesale electricity price the Review of Electricity Market Arrangements (REMA) programme was closed with the government opting for an RNP model. RNP requires ongoing market design and implementation readiness activity. This creates a need for targeted additional resource, including permanent capability to support delivery and time-limited programme roles to manage the scale and complexity of governance, reporting, risk, and planning across NESO and DESNZ.

While RNP is expected to deliver benefits including improved operational efficiency, clearer investment signals, and reduced constraint costs, we are actively managing cost impacts. All incremental spend is subject to sanction committee approval, with robust internal challenge from Finance and the Portfolio Office, and regular oversight by the Executive Committee and Board.

The current assumption may change during the NESO1 period given the evolving policy landscape, and we have therefore not included cost estimates beyond FY27. We take a disciplined approach to resourcing, only committing to additional headcount or external consultancy where there is clear, evidenced need. We prioritise the use of internal programme delivery capability wherever possible to minimise reliance on external contractors.

### Code Administration & Market Frameworks (<£1m /+4 FTE)

There has been a material increase in workload driven by reforms (such as Connections Reform), an increase in code modification volumes and an increase in whole system and cross-border activity.

This rise in demand is enduring rather than temporary, and is aligned to requirements set by Ofgem, DESNZ, and wider market reform programmes. The energy code reform will bring greater stability in the long-term, in the short-term this creates an additional draw on existing resource.

### Level of confidence

Our BP3 plan was resourced to support government’s Review of Electricity Market Arrangements (REMA) programme. Following the decision to retain a single national wholesale electricity price and reject zonal pricing, we continue to review the level of resources to support RNP.

## Strategic Energy Planning

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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	55	446	62	457	64	469
Investments	7	0	13	0	14	0
<b>Strategic Energy Planning Total Costs</b>	<b>62</b>	<b>446</b>	<b>75</b>	<b>457</b>	<b>78</b>	<b>469</b>

### Operational costs

Operational costs for FY27 are £7m higher than the BP3 baseline, with increases primarily driven by the transition of Regional Energy Strategic Planning (RESP) from design into implementation, offset by reductions in previously assumed spend within the Transformation to Integrate Distributed Energy (TIDE) programme.

### Regional Energy Strategic Planning (RESP) (+£8m/+17 FTE).

RESP represents the principal driver of cost and headcount movement within Strategic Energy Planning (SEP). The increase reflects the transition from programme design in BP3 to implementation within NESO1, requiring the establishment of enduring regional planning capability and associated delivery structures.

Costs reflect the development of regional teams to undertake system planning, stakeholder engagement, and coordination activities across defined geographies, supported by a central

function providing oversight, tools and consistency of approach. This includes the establishment of delivery and governance arrangements necessary to support repeatable planning cycles and ongoing engagement with regional stakeholders.

Our planned headcount for RESP of 170 FTE (198 FTE including partner support) is at the low end of the range of resource requirements set out in our Blueprint (190–266 FTE). Resource assumptions have been refined to ensure costs remain proportionate during early implementation, reflecting a deliberate approach to managing cost exposure while delivery requirements continue to mature. Delivery is supported through a combination of permanent resource and time-limited consultancy, providing flexibility and enabling capability to be scaled in line with confirmed need.

Overall, the current cost profile reflects a phased approach to capability build, ensuring that expenditure is aligned to deliverable activity and that resources are prioritised in line with the minimum level required to establish and operate the RESP function.

### Zero Carbon Operation Strategy (–£3m/+3 FTE)

Our BP3 plan included £5m of consultancy spend to support enhanced Distributed Energy Resource (DER) visibility through the Transformation to Integrate Distributed Energy (TIDE) programme.

During FY26, the programme’s delivery approach and scope were further refined through continued engagement with industry stakeholders. This included targeted engagement in February 2026 to test the proposed roadmap, followed by publication of the TIDE roadmap in March 2026, which clarified delivery priorities and the approach to industry coordination. Reflecting this updated position, our NESO1 plan does not include any significant consultancy spend which represents a £5m reduction in cost compared to our BP3 plan. This reduction reflects a more clearly defined scope of activity and ongoing uncertainty over the timing and scale of delivery beyond FY27, and a deliberate decision not to commit expenditure ahead of confirmed requirements.

This approach ensures that forecast costs remain aligned to evidenced delivery need and avoids overstatement of future expenditure. Any requirement for additional consultancy support will be subject to further development and formal approval through established governance processes.

### Hydrogen Strategic Planning (<£1m/+5 FTE)

Our prior published NESO1 plan included provision for the development of hydrogen transport and storage planning capability within Strategic Energy Planning activities, with an initial assumption of approximately 30 roles across Gas Network Analysis, Gas Engineering Standards, and Insights and Reporting. These estimates were informed by SME input and benchmarking against existing strategic planning capabilities.

Subsequent refinement of requirements, alongside ongoing dependency on government policy development, has resulted in a significant reduction in the level of resource currently assumed within the FY27 period. Hydrogen resourcing has therefore been deliberately constrained to approximately 5 FTE, reflecting a limited level of activity focused on maintaining capability and

supporting early-stage planning. Subject to greater clarity on the role of hydrogen emerging, the plan assumes a ramp-up in capability, with FTE forecast to increase to 17 in FY28.

This revised position reflects continued uncertainty over the scale and timing of hydrogen deployment, including NESO’s dependency on the UK Government’s development of a robust, data-driven assessment of hydrogen’s role within the future energy system, expected to inform the forthcoming Hydrogen Strategy.

### Central Costs (-£1m/-27 FTE)

Headcount in the central SEP function is 27 FTE below our BP3 plan. The central pooling of new CP30 resources was a new initiative for BP3 with the sizing of 40 FTE 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. Our NESO1 plan includes only FTE where we have identified a clear need for additional resource and is therefore 13 FTE below BP3 levels. Other drivers of decreased headcount include 4 FTE roles for the Chief Engineers Office which have moved reporting lines to our Zero Carbon Operation Strategy teams and targeted efficiency savings of 5 FTE.

### Level of confidence

For the NESO1 period, overall confidence is assessed as medium. While there is continued confidence in the core capability required to deliver established activities, this is tempered by uncertainty in specific areas, notably the scope and timing of activity associated with the Transformation to Integrate Distributed Energy (TIDE) programme and Strategic Hydrogen Planning. In addition, the wider external environment remains dynamic, with ongoing dependency on policy development and industry readiness, which may impact the scale and timing of delivery.

## 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	12	102	11	99	11	99
Investments	0	0	0	0	0	0
<b>Energy Insights Total Costs</b>	<b>12</b>	<b>102</b>	<b>11</b>	<b>99</b>	<b>11</b>	<b>99</b>

## Operational costs

Our forecast costs remain broadly in line with our BP3 plan across the NESO1 period (FY27: -£1m FY28: £0m).

Headcount remains aligned to our BP3 plan, albeit with an efficiency challenge to deliver outputs with 3 fewer FTE. Headcount in the central team is higher than BP3 and offset across other activities, reflecting the centralisation of certain capabilities which support all activities, such as stakeholder engagement. Headcount to deliver our new advisory statutory duties remains aligned to the Blueprint for the function that was developed alongside DESNZ and Ofgem. We chose to centralise our advice capabilities rather than embedding in teams across the business, which allows more flexibility. For example, the advisory priorities when we designed the function (e.g. decarbonisation of heat) have changed as external factors have changed with more focus now being on areas such as data centres.

Our forecast spend for reactive consultancy works has been reduced by £1m across all Energy Insights activities, with recognition that if a major event occurred and we required additional budgetary capacity this could be granted through existing governance forums.

## Level of confidence

We have a high degree of confidence in our NESO1 cost forecast for Energy Insights.

## 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	4	32	4	40	6	52
Investments	0	0	0	0	0	0
<b>Security of Supply Modelling Total Costs</b>	<b>4</b>	<b>32</b>	<b>4</b>	<b>40</b>	<b>6</b>	<b>52</b>

## Operational costs

Costs associated with security of supply remain broadly aligned to BP3, with movements driven primarily by organisational realignment and reprioritisation of capability rather than an increase in overall expenditure.

## Security of Supply Modelling (<£1m/+8 FTE)

At the outset of FY26 we added 4 FTE to our modelling team to support additional workload. NESO has undertaken and published multiple assessments of energy security of supply throughout BP3,

expanding from our BP2 outputs. Our security of supply assessments expanded to cover Gas, and we published our first Gas Security of Supply Assessment in November 2025. We continued to publish our seasonal Outlook reports and our annual Electricity Capacity Report and the Resource Adequacy in the 2030s assessment. In addition to our published assessments, we have also provided additional security of supply advice to Secretary of State, such as the significant analysis undertaken on AI data centres.

Addition of a further 4 FTE in FY27 will enable further analysis and assessments to be undertaken, such as the increased remit for Gas Security of Supply Assessments. In addition, further resource will also enable more in-depth modelling and analysis of an increasingly complex energy system and enable continued robust analysis and advice to Secretary of State on emerging security of supply risks.

### Hydrogen Security (+£1m/+12 FTE from FY28)

15 FTE were originally included in our NESO1 plan for security of supply modelling, required to establish NESO’s new hydrogen security capability, enabling assessment of hydrogen supply adequacy, infrastructure risk and transition impacts on system resilience. Given ongoing uncertainty around the scale, timing, and role of hydrogen within the future energy system, including dependencies on further clarity from government-led analysis, these FTE have since been deferred entirely for FY27 and reduced to 12 FTE in FY28. The requirement will remain subject to ongoing governance and reassessment as the external evidence base and understanding of hydrogen’s role continue to develop.

### Level of confidence

Our role in Hydrogen planning and security is new and untested. We will make a further assessment of resource requirements as this role develops and before we begin recruitment.

## 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	11	100	11	102	12	102
Investments	5	0	5	0	5	0
<b>Energy System Resilience Total Costs</b>	<b>16</b>	<b>100</b>	<b>17</b>	<b>102</b>	<b>17</b>	<b>102</b>

## Operational costs

Costs associated with Energy System Resilience reflect the establishment of Whole Energy System Resilience (WESR) capability and a rebalancing of resources across NESO.

Initial analysis identified the need for an uplift of 27 FTE over the NESO1 period; however, following rigorous internal challenge and stress-testing, as well as embedding efficiency savings across all NESO teams, the uplift has been reduced to 12 FTE. This uplift is largely offset within WESR by the transfer of 10 FTE to System Operations. The resulting cost profile for the Energy System Resilience role therefore remains broadly neutral.

### Whole Energy System Resilience Strategy and Organisational Design (+12 FTE)

During BP3, NESO established the foundations of its resilience capability, including delivery of initial resilience outputs, strengthening of emergency preparedness and the development of an integrated approach to security and resilience activities. Building on this, the NESO1 period reflects a transition to a more coordinated Whole Energy System Resilience (WESR) function, aligned to NESO's broader strategic role and licence obligations.

Development of the WESR strategy has included a structured review of existing activities and the design of an operating model intended to improve cross-functional coordination, reduce duplication and provide clearer ownership of system-wide resilience risks and outputs. This has enabled definition of the capabilities required to deliver whole energy system resilience, including integration of insights across resilience outputs and strengthened coordination and information sharing across NESO and with our external stakeholders.

The organisational design reflects a move towards a more integrated, whole system approach, enabling more efficient use of resources, clearer alignment of responsibilities across teams and improved sharing of capability across NESO. This positions WESR to not only deliver resilience assessments, but to provide coordinated, strategic advice and support the prioritisation of system-wide risks, ensuring we can effectively drive resilience outcomes across the energy system.

### Transfer of Emergency Response & Operational Planning to System Operations (-10 FTE)

As part of the implementation of the Whole Energy System Resilience (WESR) organisation design, responsibility for emergency response and operational planning capability has been transferred into System Operations. This change reflects a clear alignment of accountabilities, with real-time response and incident management activity positioned alongside the team responsible for operating the system.

The transfer enables closer integration between system planning and operational response, strengthening the effectiveness of incident preparedness, response and restoration activities. It also ensures that post-event review and system wide resilience assessment remain independent within WESR, supporting a clearer separation between operational delivery and strategic oversight.

## Level of confidence

Confidence in the Energy System Resilience cost position is assessed as medium, reflecting that the resourcing requirements have been defined through a zero-based review of activities and organisational design, and subject to rigorous internal challenge and stress-testing to ensure it is proportionate and prioritised.

However, as WESR represents an expanded and evolving function, there remains some uncertainty in the precise level of resource required to deliver against future whole-system resilience obligations. The position therefore retains flexibility to refine and scale as the operating model matures, and requirements are tested through delivery and ongoing governance.

## 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	49	451	56	460	55	460
Investments	67	0	64	0	71	0
<b>System Operations Total Costs</b>	<b>116</b>	<b>451</b>	<b>120</b>	<b>460</b>	<b>126</b>	<b>460</b>

## Operational costs

The electricity system continues to grow in complexity as Great Britain transitions to a low-carbon future. A growing number of renewable and flexible assets, combined with wider reforms to markets and access to the system, means the network is more dynamic, more distributed, and requires significantly greater coordination than in the past. Managing this complexity safely and efficiently is central to NESO's role. We are responding and mitigating risk through a combination of targeted reform, improved planning, and enhanced operational capability.

Costs have increased compared to our BP3 plan (FY27: +£7m 9 FTE). Additional spend primarily comprises of addition FTE (£1m 16 FTE) costs in relation to Skip Rates (£5m), System Access Reform (£4m) and a transfer of operational readiness and response capability from Whole Energy System Resilience offset by a NESO wide headcount and cost efficiency challenge.

### Additional FTE (+£1m/16 FTE)

To mitigate the increasing risk in operating the electricity system we identified a requirement for 30 additional roles. Through our internal challenge and review process this was scaled back to 19

approved roles with a further reduction of 3 FTE to be met through efficiencies across the function.

These additional roles breakdown into:

*Operational Policy (2 FTE)* – This helps ensure the Technical Operations Policy (TOP) team can meet rising demand and maintain system reliability. This is a low-cost no regrets investment that helps avoid larger risks and costly interventions later.

*Future Control Strategy (6 FTE)* – Additional resource will strengthen real-time analysis, improve data quality, and provide clearer coordination with customers. The demand is a result of increasing system complexity and in particular poorer data visibility are making it harder to accurately forecast demand and operate the system efficiently. This enables better decisions on how much generation is needed, avoiding over or under-procurement. The result is lower system costs and better value for consumers through more efficient operation of the electricity system.

*Non-firm battery storage (4 FTE)* – More energy storage projects are connecting to the grid under new, flexible arrangements, increasing the need for additional system studies. These studies allow NESO to assess these connections quickly and identify any constraints ahead of time. This supports faster connection of storage, helping deliver Clean Power 2030. It avoids delays and inefficient use of the system, providing better value by making full use of available capacity.

*Balancing Cost Reduction (2 FTE)* – We will strengthen data science and software capability to improve cost forecasting and system insights. This enables more efficient decision-making and reduces unnecessary system costs. A small investment in capability delivers ongoing savings and better value for consumers.

*Operational Risk and Programme Delivery (5 FTE)* – This will ensure safe training, improve data and model accuracy, and support delivery of critical system upgrades. These roles are essential to deliver committed programmes and enable network automation and efficiency. This investment reduces failure risk and avoids higher costs from delays, errors, or system instability.

### **Transfer from WRES (+£1m/+10 FTE)**

The transfer of 10 FTE from WRES enables closer integration between system planning and operational response, strengthening the effectiveness of incident preparedness, response and restoration activities. It also ensures that post-event review and system wide resilience assessment remain independent within WESR, supporting a clearer separation between operational delivery and strategic oversight.

This move is cost neutral and brings operational efficiency whilst also maintaining internal segregation of duties.

### **Skip Rates (£5m)**

Our dedicated skip rates programme, which was approved by our OpCo committee and further ratified by our sanctioning committee, reflects a targeted investment to reduce avoidable inefficiencies in system operation and lower balancing costs for consumers.

Skip rates identify where higher-cost dispatch decisions are taken instead of cheaper alternatives, creating unnecessary cost. NESO is investing in a structured programme to address the root causes of these inefficiencies through improved data, tools, and operational capability.

This investment enables better real-time decision-making, reduces unnecessary balancing actions, and improves overall system efficiency. Analysis shows that inefficient dispatch creates material costs, and that reducing skip rates delivers sustained savings over time.

While costs rise in the short term, this represents a proportionate and value-for-money intervention, ensuring that investment is focused on reducing long-term system costs while maintaining safety and security as the highest priority.

### **System Access Reform (+£4m/+5 FTE)**

We initiated our System Access Reform programme in FY26. This was not included in our BP3 forecast and as such incremental spend was approved through our sanctioning committee. We spent £2m in FY26 and plan to spend £4m in FY27 to set out the activities which will be embedded across NESO teams to deliver new outage planning and optimisation capabilities. SAR 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. Spend in FY27 comprises of internal resource and specialist 3<sup>rd</sup> party advice, the majority of which is one-off in nature, therefore FY28 sees a reduction of £3m when compared to FY27.

### **Level of confidence**

System Operations is largely a mature function within NESO, for core activities we perform there is a degree of confidence in our cost forecasts. However, there are areas where we continue to adapt to drive lower balancing costs, reduce skip rates, manage operational risk and system security, and improve system access to meet CP30 targets. In these areas we have a lower level of confidence in our cost forecasts with an underlying assumption in our plan that any new initiatives can be accommodated within the current operating cost envelope.

The cost and resource presented in NESO1 represent an estimate based on current assumptions. The initial ask was challenged and constrained. We endeavour to work within this number however there is a risk that further budget will be required.

In respect of Systems Access Reform, we have a medium degree of confidence in the planned costs based on work undertaken and in progress in FY26. Note that delivery of the technology solution is factored into the investment plan.

## Network Operability and 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	26	254	36	319	35	319
Investments	10	0	16	0	13	0
<b>Network Operability &amp; Connections Total Costs</b>	<b>36</b>	<b>254</b>	<b>52</b>	<b>319</b>	<b>48</b>	<b>319</b>

### Operational costs

Our forecast costs have increased across the NESO1 period compared to our BP3 plan (FY27: +£10m FY28: –£1m). Additional spend primarily comprises of costs in relation to Connections Reform (£11m) offset by a reduction in 3<sup>rd</sup> party fees (<£1m) which was one-off in BP3 and a NESO wide management efficiency challenge (£2m).

### Connections Reform (+£11m/+75 FTE)

Connections reform is a once in a generation reform with unprecedented scale and pace. 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 was £20m higher than originally forecast with an additional requirement of 47 FTE. This was due to; the increasing scope, assurance requirements, and delivery complexity, which increased materially once the programme moved from design into execution. This was particularly apparent around queue formation, engineering validation, and offer issuance. In FY27 we will continue to build on the work in FY26 opening new application windows and building a transformed connections process aligning with strategic energy planning.

Forecast costs for our connections activities in FY27 are £24m which is £10m less than we spent in FY26, this is driven primarily by lower levels of 3<sup>rd</sup> party consultancy support required. Costs associated with connections reform continue to be challenged and approved through our internal sanctioning committee. We estimate the need for a total of 28 FTE above what we had at the end of FY26, this includes 10 FTE in relation to Strategic Demand.

Our Strategic Demand team will develop our approach to managing and prioritising the connection of new demand sources to the electricity network, ensuring the right demand connects in the right areas and at the right time to benefit both electricity consumers and the wider economy. We will work with government and Ofgem to create policies that guide which types of demand (e.g. data centres, housing, steelworks, transport infrastructure) should be

prioritised, especially as speculative requests for connections have surged and are blocking other developments. We will also ensure that policy can be implemented through industry codes, frameworks and processes across not only NESO, but also the transmission owners and distribution network operators.

This remains a complex and evolving programme, with ongoing policy, delivery, and demand uncertainty, which we continue to actively manage through our planning and governance processes. Consistent with our approach to value for money, we carefully assess these costs against the benefits delivered. While expenditure increases in the short term, the reform is expected to strengthen consumer protection by ensuring only viable projects progress, reducing delays, and avoiding inefficient or unnecessary network investment. This supports a more efficient and resilient system and helps protect billpayers from avoidable costs over the longer term.

### Level of confidence

The connections reform programme is a key area of focus with high levels of uncertainty regarding timing and resourcing. We continue to monitor and approve additional spend requirements through our sanctioning committee.

## Facilitating Sector Digitalisation

In our Facilitating Sector Digitalisation role, we co-ordinate the delivery of shared digital infrastructure for, and by, industry.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	1	12	0	12	0	12
Investments	6	0	9	0	22	0
<b>Facilitating Sector Digitalisation Total Costs</b>	<b>7</b>	<b>12</b>	<b>9</b>	<b>12</b>	<b>22</b>	<b>12</b>

### Operational costs

The BP3 submission figures were based upon early-stage work required for us to implement the interim Data Sharing Infrastructure (DSI) role. During FY26 it became clear that using experts across the business was more beneficial than dedicated support. This allows broader knowledge and richer experience to influence the results for the DSI.

In NESO1 we have not changed the level of resources required from our BP3 plan with resource costs being funded through investment.

## Level of confidence

We have a medium degree of confidence in the planned costs. The overall resource level is in line with the requirement that has been approved through our sanctioning committee. We will continue to review the resource levels as the Data Sharing Infrastructure project progresses.

## Role Delivery Support

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

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	24	186	29	198	30	198
Investments	58	0	40	0	35	0
<b>Role Delivery Support Total Costs</b>	<b>83</b>	<b>186</b>	<b>69</b>	<b>198</b>	<b>64</b>	<b>198</b>

### Operational costs

These operational costs cover areas of delivery that align to our eight roles and sit within functions like DD&T, business programme management and customer related activities. Total costs for role delivery support in FY27 are £5m higher than in our BP3 plan with an additional 12 FTE.

### Data Capabilities (+£4m/-3 FTE)

The main driver of cost increase in role delivery support is in the Data Capabilities activity (+£4m). We are increasing our data maturity, which includes developing driving our data culture, trust and transparency. In FY27 and FY28 we have included an additional spend within operating costs of £4m to continue to improve our data management services. This work was funded through investment in FY26, so does not represent an overall increase in cost (reduction of £6m in data investment in FY27 and £7m in FY28). We expect the volume of data we manage to keep rising and is aligned to our objectives of improving data quality and transparency.

### Innovation & AI (+£2m/+10 FTE)

Innovation team headcount is 10 FTE higher in FY27 compared to our BP3 plan. We have high ambition for AI at NESO and are working at this both from an innovation perspective as well as enabling delivery. We are projecting a team of 10 people in this space to be able to create a central team that creates and catalyses that activity with 6 FTE having transferred from the Data team to support this activity. We are planning recruitment of a further 4 FTE as we build and expand our AI capability across the organisation. The additional FTE in the innovation team does

not drive significant incremental cost as most of our innovation work is funded through our Network Innovation Allowance (NIA) or Strategic Innovation Funding (SIF).

### Programme Management (–£3m)

Our forecast for headcount for Programme Management remains in line with our BP3 forecast. Forecast costs are £3m lower in FY27 compared to BP3. A decrease of £2m is due to a lower forecast for reactive consultancy work with the reduction in forecast based on experience in FY26 and the continuing maturity of the organisation. A further £1m reduction is expected to be delivered through the efficiency programme.

### Level of confidence

We have a medium degree of confidence in our forecasts for role delivery support given the stage of maturity of these relatively new 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	75	456	87	488	88	488
Investments	18	0	28	0	24	0
<b>Corporate Functions Total Costs</b>	<b>93</b>	<b>456</b>	<b>115</b>	<b>488</b>	<b>112</b>	<b>488</b>

### Operational costs

Our forecast spend for Corporate Functions is £12m higher than the BP3 plan for FY27 and remains broadly flat in FY28.

### Property (+£4m/+2 FTE)

Property costs are £4m higher than in our BP3 plan. The most significant driver of cost increase is due to a decision by our Security Committee to increase security levels across our sites (£2m). For security reasons, we are not providing further information on this decision in this report. During FY26 we secured the lease on a new London office as our current facilities were not fit for our future needs. Our requirements were for approximately twice the space of our existing office allowing for more users, capacity to hold Board, customer and stakeholder meetings as well as media facilities. Several commercial properties were assessed, and our new location was selected based on location, accessibility, security and value for money. The larger office space has increased costs in FY27 compared to our BP3 plan by £1m.

### Finance & Procurement (+£3m/+18 FTE)

Headcount within our finance and procurement teams is 18 FTE higher than in our BP3 plan. There are two key areas where requirements have increased.

Firstly, we have added 7 FTE at a cost of £1m to provide support and enhancements for our new back-office systems. The team will provide first line support, lead adoption of regular system updates as well as delivering the backlog of updates not initially adopted in the first release. They will also lead and deliver projects for future enhancements such as consolidating and optimising existing tools into the system, delivering long term cash forecasting and business and workforce planning. We have chosen an 'in-house' support and development arrangement, which is typically more suited to a SaaS (Software as a System) based application, retains expertise within the business and provides a better end-user experience. Including these new support arrangements, we estimate that the total run cost for our new solution is £3m per annum less than costs we incurred for our legacy system.

Secondly, we have prioritised additional headcount in our procurement team. At the end of FY26 there were 8 higher FTE than in our BP3 plan. 3 FTE from Engineering Services 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.

### People (+£7m/+4 FTE)

As delivery of People Services moves away from National Grid, associated activities are shifting from consumption of a shared service to the establishment of NESO-specific capability. During this phase, our level of resourcing reflects the temporary demands of transition, parallel running, and risk mitigation. During FY26 we continued to shape the people function informed by an independently benchmarked operating model. Our headcount is broadly aligned to our BP3 estimate and to the independent benchmarking and has been temporarily elevated through 2 additional internal communications roles supporting connections reform and Regional Energy Strategic Planning (RESP) as well as an additional 2 FTE supporting the build of our people culture function. The main driver of cost increase in FY27 is due to one off cost associated with separation of systems and processes (£3m), including 3<sup>rd</sup> party support for embedding new systems and processes. Other cost increases include a £2m erroneous budget assumption in BP3 regarding cost recharging and £1m additional external support for the build of our people culture capability.

### Early Careers (+£1m/+13 FTE)

The Early Careers programme creates a key path to managing skills risk within NESO and supports our role as a talent incubator for the industry. Following approval by our Executive Committee, the NESO Early Careers programme for FY27 has been launched and we plan to hire across our graduate, apprenticeship, internship and employability programmes. The planned recruitment levels are higher than our BP3 plan (+13 FTE) and are based on the demand from

across the business with confirmation that there will be sufficient open positions to accommodate learners as they roll off the programme. These have been refined to reflect the predicted supply. To combat the competitive landscape for early career talent we have run a recruitment campaign with the assistance of a specialist third party. Alternative approaches such as embedding new technology and adding additional headcount were explored, however improvements to the delivery model that had an enduring benefit, but one-off cost was the most efficient solution.

### **Legal (-£1m/+7 FTE)**

Headcount in our legal function is forecast to increase by 6 FTE compared to BP3. This is largely driven by 4 additional in-house lawyers to support the growing requirements in areas such as connections reform, but this increase in cost is offset by £1m lower external legal support. We have also increased headcount of 2 FTE in our Information Rights and Data team where, in common with government departments and public authorities, the volume of information requests has been higher than anticipated. In FY26 we handled 333 Freedom of Information (FOI) and Environmental Information Regulation (EIR) requests. Initially we outsourced pieces of work to provide extra capacity, given uncertainty on expected volumes, but have now made the decision to recruit additional FTE as a much more cost-effective way to manage the workload.

### **External Affairs (-£3m/-3 FTE)**

Our forecast cost for the external affairs team is aligned to the spend we incurred in FY26 and is £3m lower than the BP3 forecast due to lower third-party contract spend. BP3 forecast spend included some one-off costs relating to media tools and ongoing media training is now being delivered more efficiently through targeting training on a specific needs basis rather than being delivered more broadly.

### **Investment**

Our investment within corporate functions includes £23m of property spend in FY27 which is £10m more than we forecast in BP3. Additional costs are driven by more extensive works and timing relating to fit out of the new London office, refurbishment of the Wokingham site and preparatory works for exiting the current Warwick office location.

### **Level of confidence**

We have a medium level of confidence in the forecast for mature activities which are not impacted by the separation from National Grid systems and processes, such as assurance, external affairs and regulation. We will continue to embed our people, finance and procurement activities alongside the exit from National Grid systems and processes and will assess resource levels throughout the NESO1 period.

## Cyber & Physical Security

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

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	21	78	17	76	17	76
Investments	8	0	1	0	19	0
<b>Cyber &amp; Physical Security Total Costs</b>	<b>28</b>	<b>78</b>	<b>18</b>	<b>76</b>	<b>36</b>	<b>76</b>

### Operational costs

Our security strategy was built in 2024 through external advice and consultation. All security activities are overseen by the NESO Security Committee which provides executive-level oversight of cyber and physical security, ensuring alignment with Board-approved risk appetite and maintaining appropriate controls, governance and assurance across the organisation. Our view of the level of resources required in our end-state fully separated physical and cyber security team remains in line with our BP3 plan. The £4m decrease in cost compared to our BP3 plan is due to the exit of National Grid Transitional Service Agreements (TSA) arrangements as we stand-down legacy services and transition to our own people, contracts and systems.

### Level of confidence

We have a reasonable level of confidence in our cost estimates based on the current risk appetite. The operating model was developed with specialist third-party support and the associated resource requirements were derived from that model. This position has been subject to challenge and review with Ofgem’s security teams, providing further assurance that the proposed model is robust, proportionate and deliverable.

## 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.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	95	419	204	421	206	421
Investments	0	0	-10	0	-10	0
<b>Digital &amp; Technology Support Total Costs</b>	<b>95</b>	<b>419</b>	<b>194</b>	<b>421</b>	<b>196</b>	<b>421</b>

## Basis of preparation

We had a functional Digital Data and Technology team that was transformed to meet the ambitions in RIIO-2 especially through BP2 and BP3 periods. The organisation although still under the National Grid umbrella was working independently as a standalone unit with the exception of some IT services that were corporate in nature. These included end user compute provisions, network provisions and specific IT support activities. The direct applications support and build was already aligned to supporting NESO activities

The information provided is built on creating a resource profile that we inherited to run the capability and adding additional resources to deliver the new functions that we built without a headcount transfer from National Grid or we scaled based on NESO priorities.

Over half of this headcount is in place to support investments and have been factored in as part of the investment costs, these resources time sheet to investments and the real allocation varies from 60% to 75% of headcount to investments, the costs of those are explained through investment narrative.

As our products delivered in the RIIO-2 period transition from development to operation, and as we move away from National Grid technology support agreements, we have embedded the cost and management of support contracts and services into the DD&T delivery teams. We have also assessed the costs in our investment plan to separate out costs that relate to operational support, and we will report these costs alongside our other DD&T run-the-business costs (FY27 £89m; FY28 £80m).

As a result of these changes, we are re-aligning the reporting of the DD&T delivery teams costs and FTE to Digital & Technology Support role (under the activity Product Development & Run) rather than Role Delivery Support.

## Operational costs

Excluding the transfer of operational costs from the investment plan, forecast costs for all operational technology contracts has increased by £21m compared to the BP3 plan. This is £6m more than anticipated at the time of publishing our NESO1 plan but remains a highly uncertain estimate until all technology support contracts are transitioned from National Grid to NESO. Headcount across all activities remains broadly in line with our BP3 plan.

### Digital & Technology Support Contracts (-£84m/+1 FTE)

Our forecast for Digital and Technology contracts is £84m lower than our BP3 plan due to £84m of contracts being transferred and reported under product development and run as that is aligned to the Devsecops model and is better managed with the same delivery teams. The £13m credit balance in FY27 relates to £7m of central support contracts under the control of the Chief Information Officer (CIO), offset by a £20m efficiency saving to be delivered across all DD&T activities.

### Product Development & Run (+£187m/+6 FTE)

Product development and run costs includes the net cost of delivery teams as well as the support contracts for the digital and technology products that support our core roles. Forecast costs are £187m higher than the BP3 forecast due to £21m additional cost relating to higher data run and consumption costs driven by the continuing transition to cloud-based platforms and some dyssynergies and technical remediation based on new discoveries post transition. The remaining £166m increase reflects the transfer of reporting of operational costs from the investment plan (£84m) and transfer of reporting of costs previously categorised as Digital & Technology Support Contracts (£82m).

### Functional Excellence (+£6m/+2 FTE)

Our functional excellence teams are responsible for the DD&T programme management office, the technology business model, vendor management, regulatory processes and the TSA (Transitional Service Agreement) and OSA (Operational Service Agreement) office. Forecast headcount for FY27 is broadly aligned to the BP3 plan, though costs are £6m higher which reflects a transfer of the reporting of some TSA costs as well as establishing of functions like vendor management for digital & technology support contracts and expansion of TBM capabilities.

### Digital & Technology Support Investments (-£10m)

The £10m credit in both FY27 and FY28 represents the level of efficiencies we expect to deliver within the overall DD&T investment portfolio.

### Level of confidence

We have a medium degree of confidence in relation to run and consumption costs given that we currently do not have past experience as an organisation and cannot predict what dis-synergies there may be in negotiating contracts as a smaller organisation outside of the National Grid group. As an example, the environment in which NESO operates is becoming increasingly complex, therefore it is likely that the modelling scenarios and data consumption will also grow. We also have inherited a level of technical debt on the infrastructure, which we are continuing to discover and remediate and spend will vary based on capacity constraints and needs.

## Transformation

In this role we deliver transformational activities and programmes that support NESO’s strategic priorities.

Spend Category	BP3		NESO1			
	FY26		FY27		FY28	
	£m	FTE	£m	FTE	£m	FTE
Operational Costs	0	97	0	7	0	7
Investments	55	0	51	0	6	0
<b>Transformation Total Costs</b>	<b>55</b>	<b>97</b>	<b>51</b>	<b>7</b>	<b>6</b>	<b>7</b>

### Operational costs

The table above outlines the resource requirement for delivery of our transformation projects. Cost associated with the FTE in this table are attributed to investments.

### Contingency Control Centre (-4 FTE)

We have continued to work on the programme to deliver continuing 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.

### National Grid Separation (Day 2) (-86 FTE)

In FY26, we deployed 86 full-time equivalent roles across Finance, People, and Digital, Data and Technology (DD&T) to continue to separate our core DD&T services from National Grid, while simultaneously developing new, independent back-office systems. These teams delivered a fully integrated set of systems and services, including modern HR, finance and procurement platforms, alongside a secure corporate network, core business applications and end-user computing capabilities. As we conclude our transformation work, teams are rolling off the programme. 19 FTE across the Finance and People functions (reported within corporate functions headcount) will lead on improving and streamlining processes, managing system updates and enhancements, and ensuring that the organisation fully benefits from greater automation and standardisation. This approach ensures that the initial investment translates into sustainable productivity gains and avoids ongoing duplication of effort. 37 DD&T FTE responsible for the delivery and running of separate NESO enterprise technology, are now reported in the business-as-usual activities within our digital technology and support activity.

### Level of confidence

Costs and FTE requirements are uncertain for our contingency control centre programme, and we continue to keep Ofgem informed of developments. We remain confident that we will deliver our day 2 separation programme within the NESO Board sanctioned cost.

## Appendix 1 – Detailed Cost Tables

Role	Activity	BP3		NESO1			
		FY26		FY27		FY28	
		£m	FTE	£m	FTE	£m	FTE
Energy Markets	Code Administration & Market Frameworks	5	50	5	54	6	54
	Electricity Market Reform (EMR) Delivery Body	4	48	5	47	5	47
	Long Term Market Design	6	52	6	62	5	62
	Market Development & Operations for Electricity System Balancing	7	89	9	83	9	83
	Market Monitoring	1	8	1	8	1	8
	Central Costs - Energy Markets	2	3	1	4	0	4
	Energy Markets Investments	31	0	17	0	14	0
	<b>Energy Markets Total Costs</b>	<b>57</b>	<b>250</b>	<b>44</b>	<b>257</b>	<b>39</b>	<b>257</b>
Strategic Energy Planning	Centralised Strategic Network Planning	8	85	11	87	11	87
	Gas Network Development	2	21	2	25	2	25
	Network Competition	2	5	2	8	2	8
	Regional Energy Strategic Planning (RESP)	17	153	25	170	24	170
	Strategic Spatial Energy Planning (SSEP)	8	48	8	51	9	51
	Zero Carbon Operation Strategy	8	31	5	34	5	34
	Hydrogen Planner	0	0	0	5	1	17
	Central Costs - Strategic Energy Planning	10	104	9	77	10	77
	Strategic Energy Planning Investments	7	0	13	0	14	0
	<b>Strategic Energy Planning Total Costs</b>	<b>62</b>	<b>446</b>	<b>75</b>	<b>457</b>	<b>78</b>	<b>469</b>
Energy Insights	Policy Advice	2	16	2	16	2	16
	Scenario Development	5	47	4	39	4	39
	Whole Energy Insights	5	32	3	30	4	30
	Central Costs - Energy Insights	1	7	1	14	1	14
	Energy Insights Investments	0	0	0	0	0	0
	<b>Energy Insights Total Costs</b>	<b>12</b>	<b>102</b>	<b>11</b>	<b>99</b>	<b>11</b>	<b>99</b>
Security of Supply Modelling	Energy Security Modelling & Insights	4	32	4	40	5	40
	Hydrogen Security	0	0	0	0	1	12
	Security of Supply Modelling Investments	0	0	0	0	0	0
		<b>Security of Supply Modelling Total Costs</b>	<b>4</b>	<b>32</b>	<b>4</b>	<b>40</b>	<b>6</b>
Energy System Resilience	Emergency Preparedness & Restoration	5	50	3	27	3	27
	Technical Office for Energy Resilience & Security	3	25	1	6	2	6
	Energy System Risks	3	23	4	37	4	37
	Central Costs - Energy System Resilience	0	2	0	2	0	2
	Strategic Resilience & Insights	0	0	4	30	4	30
	Energy System Resilience Investments	5	0	5	0	5	0
	<b>Energy System Resilience Total Costs</b>	<b>16</b>	<b>100</b>	<b>17</b>	<b>102</b>	<b>17</b>	<b>102</b>

Role	Activity	BP3		NESO1			
		FY26		FY27		FY28	
		£m	FTE	£m	FTE	£m	FTE
<b>System Operations</b>	Operational Readiness	7	52	7	60	8	60
	Network Control Programme	2	25	2	25	2	25
	Balancing Programme	0	35	0	33	0	33
	ENCC Real-Time Operations	18	136	18	120	18	120
	Future ENCC Design	1	25	3	27	3	27
	Network Access Planning	6	85	12	87	8	87
	Operational & Performance Insights	7	88	5	86	6	86
	Central Costs - System Operations	7	6	9	23	10	23
	System Operations Investments	67	0	64	0	71	0
<b>System Operations Total Costs</b>		<b>116</b>	<b>451</b>	<b>120</b>	<b>460</b>	<b>126</b>	<b>460</b>
<b>Network Operability &amp; Connections</b>	Connections Strategy	1	11	1	13	1	13
	Connections Policy & Change	4	34	12	79	13	79
	Connections Operations	9	79	10	107	9	107
	Network Operability Modelling	3	27	3	27	3	27
	Network Operability Services	6	80	6	62	7	62
	Network Services Procurement & Balancing Services Contracting	4	21	3	26	3	26
	Central Costs - Network Operability & Connections	0	2	-1	5	-1	5
	Network Operability & Connections Investments	10	0	16	0	13	0
<b>Network Operability &amp; Connections Total Costs</b>		<b>36</b>	<b>254</b>	<b>52</b>	<b>319</b>	<b>48</b>	<b>319</b>
<b>Facilitating Sector Digitalisation</b>	Interim Data Sharing Infrastructure (DSI) Coordinator	1	12	0	12	0	12
	Central Costs - Facilitating Sector Digitalisation	0	0	0	0	0	0
	Facilitating Sector Digitalisation Investments	6	0	9	0	22	0
	<b>Facilitating Sector Digitalisation Total Costs</b>		<b>7</b>	<b>12</b>	<b>9</b>	<b>12</b>	<b>22</b>
<b>Role Delivery Support</b>	Customer	4	31	5	36	5	36
	Data Capabilities	4	43	8	40	8	40
	Operational Leadership	1	3	2	3	2	3
	Innovation & AI	5	51	7	61	8	61
	Programme Management	10	58	7	58	7	58
	Role Delivery Support Investments	58	0	40	0	35	0
	<b>Role Delivery Support Total Costs</b>		<b>83</b>	<b>186</b>	<b>69</b>	<b>198</b>	<b>64</b>

Role	Activity	BP3		NESO1			
		FY26		FY27		FY28	
		£m	FTE	£m	FTE	£m	FTE
Corporate Functions	Assurance	3	27	3	25	3	25
	Corporate Strategy	1	10	1	9	1	9
	External Affairs	7	38	4	35	4	35
	Finance & Procurement	22	140	25	158	26	158
	Legal	6	24	5	31	6	31
	People	9	71	16	75	13	75
	Property	15	6	19	8	19	8
	Portfolio Management	1	12	1	9	1	9
	Regulation	2	20	2	14	2	14
	Early Careers	5	105	6	118	7	118
	Office of the CEO	3	3	5	5	5	5
	Corporate Functions Investments	18	0	28	0	24	0
	<b>Corporate Functions Total Costs</b>		<b>93</b>	<b>456</b>	<b>115</b>	<b>488</b>	<b>112</b>
Cyber & Physical Security	Physical & Cyber Security	21	78	17	76	17	76
	Cyber & Physical Security Investments	8	0	1	0	19	0
	<b>Cyber &amp; Physical Security Total Costs</b>	<b>28</b>	<b>78</b>	<b>18</b>	<b>76</b>	<b>36</b>	<b>76</b>
Digital & Technology Support	Digital & Technology Support Contracts	71	3	-13	4	-14	4
	Digital Strategy & Architecture	6	56	6	49	7	49
	Functional Excellence	6	62	12	64	13	64
	Product Development & Run	12	298	199	304	201	304
	Digital & Technology Support Investments	0	0	-10	0	-10	0
	<b>Digital &amp; Technology Support Total Costs</b>	<b>95</b>	<b>419</b>	<b>194</b>	<b>421</b>	<b>196</b>	<b>421</b>
Transformation	Day 2 Transformation	0	86	0	0	0	0
	Contingency Control Centre	0	11	0	7	0	7
	REMA	0	0	0	0	0	0
	Operational Service Agreements (OSA)	0	0	0	0	0	0
	Transformation Investments	55	0	51	0	6	0
	<b>Transformation Total Costs</b>	<b>55</b>	<b>97</b>	<b>51</b>	<b>7</b>	<b>6</b>	<b>7</b>
<b>Total</b>	<b>Total</b>	<b>664</b>	<b>2,884</b>	<b>778</b>	<b>2,936</b>	<b>761</b>	<b>2,960</b>
<b>Efficiencies</b>	<b>Efficiencies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-28</b>	<b>0</b>
<b>Grand Total</b>	<b>Grand Total</b>	<b>664</b>	<b>2,884</b>	<b>778</b>	<b>2,936</b>	<b>733</b>	<b>2,960</b>