

# Call for input

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## End-scheme assessment of NESO's BP2 performance

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Contact: Adam Gilham

Team: NESO Regulation

Email: [NESORegulation@ofgem.gov.uk](mailto:NESORegulation@ofgem.gov.uk)

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We're approaching the end-scheme point of National Energy System Operator's (NESO) Business Plan 2 (BP2) period of the RIIO-2 price control. This document outlines our<sup>1</sup> Call for input on NESO's performance between April 2023 and April 2025.

We are seeking views from any stakeholders who have evidence and positions to share on how well NESO are performing against their stated BP2 aims.

Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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<sup>1</sup> The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

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## Background

Under the RIIO-2 framework, we evaluate NESO’s performance in delivering its two-year business plan. We consider whether NESO has achieved our expectations under the [ESO Roles Guidance](#), and the extent to which it has delivered value for money for consumers. Our assessment examines whether NESO has delivered its key business plan commitments on time and within budget and how well it has delivered these commitments. This is supported by several numeric measures of performance and evidence collected from what was formally the Electricity System Operator (ESO) and stakeholders throughout the two-year period.

The assessment is performed by both Ofgem and the independent Performance Panel, using [The Electricity System Operator Reporting and Incentives Arrangements: Guidance Document](#) (ESORI). The Performance Panel’s assessment forms a recommendation we use to make a final decision.

## Transition from National Grid Electricity System Operator to National Energy System Operator

In October 2024, National Grid Electricity System Operator became the publicly owned NESO<sup>2</sup>. Ofgem regulates NESO through the incentives framework and its licence obligations.

The incentives framework, including the assessment of performance and NESO’s reporting requirements for BP2 remains the same as outlined in our [BP2 Final Determinations](#). NESO will share detail on the work they have completed as part of the transition from NGESO to NESO, but we will not be assessing the performance of this work.

## Stakeholder views

A key component of our assessment is the opinion of the many stakeholders involved in the BP2 process. Stakeholder evidence is one of the five core components of the evaluation criteria<sup>3</sup> we use to assess NESO’s performance for each of the three Roles. We’re looking to draw on the knowledge and expertise of a wide range of stakeholders to perform a comprehensive assessment of NESO’s BP2 performance.

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<sup>2</sup> [New publicly owned National Energy System Operator to pave the way to a clean energy future - GOV.UK](#)

<sup>3</sup> The five components of the evaluation criteria are: Plan delivery, Stakeholder evidence, Value for money, Metric performance, and Quality of outputs

We’re publishing this call for input to request stakeholder feedback on NESO’s performance from April 2023 to April 2025. We welcome feedback on any Roles (see Annex 1 – Summary of NESO Roles) and any deliverables in NESO’s [business plan](#). This includes areas where you believe NESO is below, meeting, or exceeding expectations.

We’d appreciate feedback categorised into each of the Roles, and particularly welcome feedback on the key themes raised in our [BP2 Mid-scheme review](#), such as:

- Role 1 – NESO’s delivery of benefits and value for money from its priority IT projects, its operational decision making, and its steps to tackle increased balancing costs in the short term.
- Role 2 – Delivery and implementation of the various balancing products and markets NESO has developed (including delivery of the EMR portal), and experience of NESO as a manager of code change.
- Role 3 – NESO’s performance on improving the connections process, and its leadership on strategic network planning.

We’re also keen to hear from you on the work NESO undertook as part of their transition from the ESO to NESO. We aren’t assessing this as part of NESO’s performance but are looking to comment and feedback on this process as part of the end-scheme report.

## **How to respond**

We want to hear from anyone interested in this Call for input. Please send your response to [NESORegulation@ofgem.gov.uk](mailto:NESORegulation@ofgem.gov.uk). We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

## **Your response, your data and confidentiality**

You can ask us to keep your response, or parts of your response, confidential. We’ll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we’ll get in touch with you to discuss which parts of the

information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK’s withdrawal from the European Union (UK GDPR), the Gas and Electricity Markets Authority will be the data controller for the purposes of UK GDPR. Ofgem uses the information in consultation responses to perform its statutory functions and in accordance with section 105 of the Utilities Act 2000.

If you wish to respond confidentially, we’ll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won’t link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

## **Next steps**

NESO will publish its end-scheme report in May 2025. This will be followed by a stakeholder event in June, a chance for verbal feedback and engagement with NESO on its performance during BP2.

The Panel will assess NESO’s performance and publish a report following this. We will also be assessing NESO’s performance, considering the Panel’s recommendations to us, and we will publish a report with our final decisions later this summer.

If you have any questions on the contents of this letter, please contact us on [NESORegulation@ofgem.gov.uk](mailto:NESORegulation@ofgem.gov.uk).

## **Annex 1 – Summary of NESO Roles**

### **Role 1 – Control centre operations**

#### **Activity 1a: System operation**

- Balancing efficiently
- Maintaining security of supply
- Making trade-offs across time horizons
- Ensuring future operability
- Coordinating with other network operators
- Minimising outage changes caused by error
- Oversight of balancing services markets
- Maintaining effective and reliable IT systems
- Operating the network carbon free

#### **Activity 1b: System restoration**

- Restoration plans and tools
- Restoration policy
- Restoration services procurement

#### **Activity 1c: Transparency, data and forecasting**

- Provision of market information
- Driving the energy sector digitalisation
- Using and exchanging data
- Forecasting
- Data use and exchange

### **Role 2 – Market development and transactions**

#### **Activity 2a: Market design**

- Competitive market-based procurement
- Close to real time procurement

- Delivering accessible markets
- Signalling procurement needs
- Coordinated procurement across the whole system

#### **Activity 2b: Electricity market reform**

- User experience with the EMR portal
- Implementation of policy and rule changes
- Providing support to EMR parties
- Making accurate prequalification decisions
- Improving EMR processes
- Monitoring compliance with rules
- Security of supply modelling

#### **Activity 2c: Industry codes and charging**

- Managing code changes
- Improving GB rules and standards
- Influencing, implementing and administering European rules
- Promoting efficient charging and access arrangements

### **Role 3 – System insight, planning and network development**

#### **Activity 3a: Connections and network access**

- Managing connections
- Outage and medium-term access planning

#### **Activity 3b: Operational strategy and insights**

- Providing energy insights
- Producing analytically robust scenarios and long-term forecasts
- Ensuring coordinated scenario development

#### **Activity 3c: Optimal network investment**

- Identifying network needs and solutions
- Coordination between network assessments



- Procurement of network solutions
- Consistency with distribution network planning

### **Future System Operator Transition**

- Technology enablement of deal close and foundation services
- Transfer of people and processes into NESO from National Grid group
- Establishment of the new organisation and new obligations