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Public

Balancing Mechanism

Report for the period 1

April 2025 to 30

September 2025

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Introduction

Section Q of the Balancing and Settlement Code ("BSC"): Balancing Mechanism Activities, to which National Energy System Operator Limited ("NESO") is party, requires NESO in its role as National Electricity Transmission System Operator ("NETSO") to submit certain data to the Balancing Mechanism Reporting Agent ("BMRA") and Settlement Administration Agent ("SAA").

A link to Section Q of the BSC as published on Elexon's website is provided below. Section Q of the BSC is updated periodically and as such, depending on the date of clicking on the below link, the version of Section Q may differ to one of the versions relevant to the audit period 1 April 2025 to 30 September 2025. Should you wish to access any of the versions of section Q of the BSC relevant to this audit period, please contact Elexon.

<https://www.elexon.co.uk/the-bsc/bsc-section-q-balancing-services-activities/>

Section H para 5.1.6 of the BSC requires the NETSO to appoint a Balancing Mechanism Auditor ('BM Auditor') to review the compilation and submission of Balancing Mechanism data. The objective of the Balancing Mechanism Audit ('BM Audit') is to establish whether, in all material respects, the NETSO is compliant with the requirements of Section Q of the BSC in the areas defined as in-scope.

For the period 1 April 2025 to 30 September 2025, NESO in its role as NETSO has appointed PricewaterhouseCoopers LLP ('PwC') as the BM Auditor.

Scope of the Audit

The overall scope of the BM Audit is defined in Section H 5.1.6 of the BSC. This states:

"The following matters shall be audited by an independent auditor of internationally recognised standing appointed by the NETSO (the 'BM Auditor'):

- a) *The compilation and submission of Final Physical Notification ('FPN') data by the NETSO pursuant to and in accordance with Section Q*
- b) *The compilation and submission of Bid-Offer data by the NETSO pursuant to and in accordance with Section Q*

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- c) *The compilation and submission of Acceptance data by the NETSO pursuant to and in accordance with Section Q*
- d) *The submission of other data by the NETSO pursuant to and in accordance with Section Q6"*

For the purposes of this report, and the BM Audit, those aspects of Section Q of the BSC covering the compilation and submission of Balancing Mechanism data and relevant to the activities stated in a) to d) (from here on referred to as the 'Subject Matter Information'). The data included within these submissions are collectively referred to as the 'Balancing Mechanism data'.

The scope of the BM Audit does not include the calculation of the submitted Balancing Mechanism data by NESO. Specifically, it does not include the calculation of Balancing Settlement Adjustment data and Applicable Balancing Services Volumes, which are required in the calculation of the System Sell Price and System Buy Price. Furthermore, the scope of the BM Audit does not require the BM Auditor to assess the validity of the Balancing Mechanism data submitted on behalf of BM Units to NESO but is restricted to the BM Auditor reviewing the onward submission of this data to the BMRA or the SAA, as required.

Additionally, those aspects of the activities comprising the Subject Matter Information that involve engineering decisions that NESO makes are expressly excluded from the scope of the BM Audit. It is also not the responsibility of the BM Auditor to:

- confirm that system security has always been maintained; and/or
- review the accuracy of forecast demand as prepared by NESO compared to actual demand.

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Directors' Statement on National Energy System Operator Limited's Balancing Mechanism Report

As the Directors of National Energy System Operator Limited ("NESO"), in its role as the National Electricity Transmission System Operator ("NETSO"), we confirm that we are solely responsible for the preparation of the Balancing Mechanism Report for the period 1 April 2025 to 30 September 2025 (the "Report") including this Directors' Statement. We confirm the Report provides a complete, accurate and balanced reflection of NESO's performance in relation to the Subject Matter Information, as defined below, and discloses, with supporting rationale, matters relevant to the intended users of the Report.

We are responsible for performing the activities comprising the Subject Matter Information, as defined below and as stated in the Section Q of the Balancing and Settlement Code (the "BSC") in respect of our compilation and submission of Balancing Mechanism to the BMRA and the SAA data during the period 1 April 2025 to 30 September 2025. For the purposes of this statement, the following versions of the BSC are relevant:

- Version 46.0 for the period, 1 April 2025 to 25 June 2025; and
- Version 47.0 for the period, 26 June 2025 to 30 September 2025.

Our responsibilities include designing, implementing and maintaining systems, processes and internal controls over information relevant to the evaluation or measurement of the application of activities comprising the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the reporting criteria and ensuring those criteria are relevant and appropriate to NESO and the intended users of the Report.

The activities set out below in relation to NESO's compilation and submission of Balancing Mechanism data to the BMRA and the SAA comprise the Subject Matter Information for the purpose of this Statement:

- compilation and submission of Final Physical Notification data by the NETSO pursuant to and in accordance with Section Q;
- compilation and submission of Bid-Offer data by the NETSO pursuant to and in accordance with Section Q;

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- compilation and submission of Acceptance data by the NETSO pursuant to and in accordance with Section Q; and
- submission of other data by the NETSO pursuant and in accordance with Section Q6.

The data included within these submissions are collectively referred to as the 'Balancing Mechanism data' for the purpose of this Statement.

All other principles, criteria and processes contained within the BSC are considered out-of-scope for the purposes of this Statement.

We confirm, to the best of our knowledge and belief, that we have, for the period 1 April 2025 to 30 September 2025:

- established and operated the activities comprising the Subject Matter Information in accordance the requirements of the BSC;
- designed, implemented and maintained internal controls and processes over information relevant to the activities comprising the Subject Matter Information and the BSC;
- presented information, including the reporting criteria, in a manner that provides relevant, complete, reliable, unbiased/neutral, comparable and understandable information; and
- performed the activities comprising the Subject Matter Information in accordance with the principles, criteria and processes, as outlined in the BSC, which relate to the Subject Matter Information.



Craig Dyke

For and on behalf of the Board of Directors of National Energy System Operator Limited
19 December 2025



Balancing Mechanism auditor's Independent Reasonable Assurance Report to the Directors of National Energy System Operator Limited

The Board of Directors of National Energy System Operator Limited ("NESO") engaged us to obtain reasonable assurance on whether NESO has, in its role as the National Electricity Transmission System Operator ("NETSO") and in respect of its compilation and submission of Balancing Mechanism data to the Balancing Mechanism Reporting Agent ("BMRA") and the Settlement Administration Agent ("SAA"), in all material respects, performed the activities comprising the Subject Matter Information, as set out below, in accordance with the principles, criteria and processes as outlined in Section Q of versions 46.0 and 47.0 of the Balancing and Settlement Code (the "BSC"), which relate to the Subject Matter Information, also set out below and referred to in the Director's Statement, for the period 1 April 2025 to 30 September 2025.

Our reasonable assurance opinion

In our opinion, based on the procedures performed and evidence obtained, NESO has, in its role as the NETSO and in respect of its compilation and submission of Balancing Mechanism data to the BMRA and the SAA, in all material respects, performed the activities comprising the Subject Matter Information in accordance with the Reporting Criteria for the period 1 April 2025 to 30 September 2025.

Subject Matter Information and Reporting Criteria

The Subject Matter Information comprises the activities set out below in relation to the compilation and submission of Balancing Mechanism data to the BMRA and the SAA which should be subject to the audit by the BM Auditor as required by the Section H, paragraph 5.1.6 of the BSC:

- compilation and submission of Final Physical Notification data by the NETSO pursuant to and in accordance with Section Q;
- compilation and submission of Bid-Offer data by the NETSO pursuant to and in accordance with Section Q;
- compilation and submission of Acceptance data by the NETSO pursuant to and in accordance with Section Q; and
- submission of other data by the NETSO pursuant and in accordance with Section Q6.

The data included within these submissions are collectively referred to as the 'Balancing Mechanism data' for the purpose of our opinion. All other rules, principles, criteria, processes, and controls described in or required by the BSC are excluded from the scope of our independent assurance report.

The Reporting Criteria are the underlying principles, criteria and processes as outlined in Section Q of the BSC, which relate to the Subject Matter Information.

For the purposes of our assurance engagement, the following versions of the BSC are relevant:

- Version 46.0 for the period, 1 April 2025 to 25 June 2025; and
- Version 47.0 for the period, 26 June 2025 to 30 September 2025.

Unless the context otherwise specifically stated, words and expressions defined in Section Q of the BSC, have the same meaning in this independent assurance report.

While the performance of the activities comprising the Subject Matter Information may be informed by NESO's need to satisfy legal or regulatory requirements, our scope of work and our conclusions do not constitute assurance over compliance with those laws and regulations.

Inherent limitations

Because of their nature, the activities comprising the Subject Matter Information (whether alone, or in conjunction with other activities required under the BSC) may not prevent or detect and correct all errors or omissions in the compilation and submission of Balancing Mechanism data to the BMRA and the SAA. Furthermore, our opinion is based on historical information and the projection to future periods of any evaluation or conclusions about NESO's performance of the activities comprising the Subject Matter Information in respect of its compilation and submission of Balancing Mechanism data to the BMRA and the SAA would be inappropriate.

Responsibilities of the directors

As explained in the Directors' Statement on page 5 of the Balancing Mechanism Report for the period 1 April 2025 to 30 September 2025 (the "Report"), the Directors of NESO are responsible for:

- the compilation and submission of Balancing Mechanism data to the BMRA and the SAA as set out in Section Q of the BSC;
- complying with the Reporting Criteria in respect of the compilation and submission of Balancing Mechanism data to the BMRA and the SAA. This includes designing, implementing, and maintaining policies, systems, processes and internal controls to support the activities comprising the Subject Matter Information, to achieve outcomes which are free from material misstatement, whether due to fraud or error;
- ensuring that performance of the activities comprising the Subject Matter Information are relevant and appropriate to NESO in the context of its compilation and submission of Balancing Mechanism data to the BMRA and the SAA, and the intended users of the Report;
- performing the activities comprising the Subject Matter Information in accordance with the Reporting Criteria;
- appointing an independent auditor to establish whether, in all material respects, the NETSO is compliant with the requirements of Section Q of the BSC in the areas defined as in-scope, as set out in Section H of the BSC, paragraph 5.1.6; and
- producing the Report (other than this Independent Reasonable Assurance Report and Appendix A – Assurance Approach sections), including underlying information and a statement of directors' responsibility, which provides a complete, accurate, and balanced reflection of NESO's performance in relation to the Subject Matter Information and discloses, with supporting rationale, matters relevant to the intended users of the Report.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain reasonable assurance as to whether NESO, has, in respect of its compilation and submission of Balancing Mechanism data to the BMRA and the SAA, in all material respects, performed the activities comprising the Subject Matter Information in accordance with the Reporting Criteria; and
- reporting our opinion to the Directors of NESO.

Professional standards applied

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards). We apply the International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Materiality

We are required to plan and perform our work to assess the risks of material misstatement in the Subject Matter Information.

The assessment of what is material to the Subject Matter Information is a matter of professional judgement. The BSC Auditor has communicated that its materiality for the BSC audit is 0.5TWh for the period 1 April 2025 to 30 September 2025, which we have taken into account where any issues have been identified for which a clear numerical impact in terms of TWh can be considered. In applying our judgement, we also considered the following factors:

- a. the number of persons and entities affected by the issue relating to activities comprising the Subject Matter Information;
- b. the effect of an adjustment which affects (in the past or the current audit period) whether NESO has performed the activities comprising the Subject Matter Information in accordance with the Reporting Criteria, or is likely to affect the future;
- c. whether a misstatement is the result of an intentional or unintentional act;
- d. the extent to which the actual outcome would have been different had the activities comprising the Subject Matter Information in respect of the compilation and submission of Balancing Mechanism data to the BMRA and the SAA as set forth in Section Q of the BSC been performed; and
- e. the aggregate impact of any failure to comply with Section Q of the BSC.

Summary of work performed

We performed a reasonable assurance engagement. A reasonable assurance engagement involves performing procedures to obtain evidence about the Subject Matter Information in relation to the Reporting Criteria. The nature, timing and extent of procedures selected depend on professional judgement, including the assessment of risks of material misstatement, whether due to fraud or error, in the Subject Matter Information. In making those risk assessments, we considered internal control relevant to NESO's performance of the activities comprising the Subject Matter Information.

We have performed our work in accordance with our Assurance Approach which is included as Appendix A of the Report. Our work included an examination, on a test basis, the activities comprising Subject Matter Information performed by NESO, in respect of its compilation and submission of Balancing Mechanism to the BMRA and the SAA.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Furthermore, the following aspects of the activities comprising the Subject Matter Information are excluded from the scope:

- those that involved engineering decisions that NESO made;
- the calculation of the submitted Balancing Mechanism data by NESO. Specifically, it does not include the calculation of Balancing Settlement Adjustment data and Applicable Balancing Services Volumes, which are required in the calculation of the System Sell Price and System Buy Price; and
- the validity of the Balancing Mechanism data submitted on behalf of BM Units to NESO.

Additionally, it is also not the responsibility of the BM Auditor to:

- confirm that system security has always been maintained; nor



- review the accuracy of forecast demand as prepared by NESO compared to actual demand.

Other information

The information included in the “Introduction” section of the Report (“other information”) is presented by NESO to provide additional information. The directors are responsible for the other information. Our assurance opinion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

Use and distribution of our report

Our report, including our opinion, has been prepared solely for the Board of Directors of NESO in accordance with the agreement between us dated 26 September 2025 and variation dated 27 November 2025 (together, the “agreement”) in connection with the requirement for independent assurance specified in Section H, paragraph 5.1.6 of the BSC. Our report must not be made available to any other party save as set out in the agreement. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and NESO for our work or this report except where terms are expressly agreed between us in writing.

Where the Report (including our independent assurance report) is published on a website by NESO, it shall be subject to the conditions of access specified in the agreement between us and NESO. The maintenance and integrity of that website is the responsibility of NESO; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the Report or our independent assurance report presented on that website.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
19 December 2025

Appendix A - Assurance Approach

We designed our audit approach and testing to provide reasonable assurance that the activities comprising the Subject Matter Information had been carried out as set forth in Section Q of the BSC respect of NESO's compilation and submission of Balancing Mechanism data for the period 1 April 2025 to 30 September 2025. This consisted of the following activities:

- a. obtained an understanding of the computer systems and/or internal operating procedures that NESO has established;
- b. tested on a sample basis, to the extent we considered necessary, the ongoing operation of the IT systems and/or internal operating procedures relevant to the activities comprising the Subject Matter Information for the period 1 April 2025 to 30 September 2025; and
- c. tested on a sample basis, to the extent that we considered necessary, the data processed by the relevant IT systems and/or internal operating procedures for the period 1 April 2025 to 30 September 2025.

In performing our assurance engagement, we assessed the risk of a material non-compliance with the activities comprising the Subject Matter Information, as set forth in Section Q of the BSC. In areas within the activities comprising the Subject Matter Information where we identified specific risks, or where weaknesses were identified in the operation of certain internal processes or controls, these compliance tests were supplemented by substantive tests of detail of the relevant underlying data.

We selected several half-hour periods within Settlement Days for testing across the reporting period 1 April 2025 to 30 September 2025. The selection of the Settlement Days (and subsequently half-hour periods within) reviewed was based solely on our assessment of risk and application of our sampling methodology. Our samples included a mixture of "normal" days and "other" days (e.g., a day where an outage has occurred), to ensure that we were able to test all relevant in-scope areas of section Q which we are required to assure.

Where it was more efficient for us to do so, we used technology enabled audit tools and ran tests for the entire selected sample day. These methods involved the use of data interrogation tools to perform automated tasks such as matching two or more types of records, identifying patterns and looking for anomalies.

Where we did not find sufficient samples of events/activities on the selected sample days we selected data from additional days to ensure that the sample sizes selected continued in line with our sampling methodology.

Throughout the period of execution of our work we monitored developments that had a potential impact on the compilation and submission of Balancing Mechanism data, and where we identified a potential risk within the scope of our assurance engagement, we assessed the risk and determined an appropriate response.

The work that we carried out can be summarised as follows:

1) The receipt and compilation of Final Physical Notification, Bid-Offer and Acceptance Data

- Compared the Settlement Data (Final Physical Notification, Bid-Offer and Acceptance data and Bid-Offer Acceptance Data) sent by the BMUs against the information processed by the NESO systems, and notified to the Balancing Mechanism Reporting Agent (BMRA);
- Confirm the relevant application of default data where required, through sample testing; and
- Reviewed incidents where the electronic transfer had been interrupted and confirmed that appropriate actions were taken to ensure no data files have been lost/duplicated.

2) The submission of Final Physical Notification Bid-Offer, Acceptance Data and other required data

- Compared the Settlement Data (Final Physical Notification, Bid-Offer and Acceptance data and Bid-Offer Acceptance Data) in the NESO systems with the information notified to the BMRA;
- Confirmed the appropriate submission of Final Physical Notification, Bid-Offer and Acceptance Data and other required data within the required timescales, through sample testing; and
- Reviewed incidents where electronic transfer had been interrupted and actions taken to ensure no data files have been lost/ duplicated.

3) General IT Controls Testing

Most transactions involving the input and output of data are sent and processed electronically. The integrity of these transactions may therefore be impacted by the robustness of the IT control environment. Consequently, we obtained an understanding of the IT general controls through testing which covered the following domains and a number of applications (SPICE, SORT, MODIS, IP, ASB, Salesforce (eGAMA), OGDS, Oracle MFT and the PEF (Electricity System Restoration Standard module)):

- Program changes;
- Computer Operations; and
- Access to programs and data.

This testing was not designed to provide us with sufficient appropriate evidence on which to form an assurance conclusion over the design and operation of controls and accordingly we do not express such a conclusion.

Furthermore, while the activities comprising the Subject Matter Information included within the scope of this report and their supporting IT General Controls may include some aspects of measures taken by management to protect operations supporting Balancing Mechanism Activities against cyber-attacks, the scope of the work and conclusions do not constitute general assurance over the adequacy of the cybersecurity or resiliency measures implemented.

Had additional procedures been performed or had an assurance engagement been performed specifically in respect of the NESO's compliance with specific regulations, or the adequacy of cybersecurity or resiliency measures implemented, other matters might have come to attention that would have been reported.