06 Gas Advisory Council

April 2026

Disclaimer: Work contained herein is still in draft / work in progress format and subject to change. Draft material for early stakeholder engagement and awareness.

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06 GAC Agenda

28th April 2026 – Faraday House

Time	Topic	Lead
10:00-10.15	Welcome – Actions Review & General Updates	Chair
10.15-10.30	NESO Headline & Change Report	NESO
10.30-11.30	DESNZ Update – Gas System in Transition Consultation Discussion	DESNZ
11.30-12.30	NESO Updates: EMAC Updates Electricity market roadmap	 NESO NESO
12.30-13.15	Lunch	
13.15-14.45	Gas Market Roadmap Discussions	NESO
14.45-15.00	*Break*	
15.00-15.30	GAC Project Updates	NESO
15.30-15.45	AOB & Close	Chair

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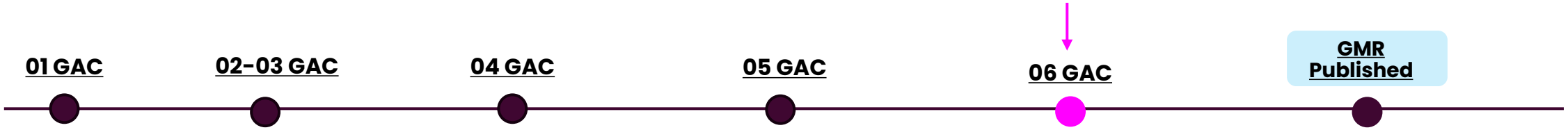
Summary of GAC's to date



01 GAC

Gas market key challenges and pain points exploration

02-03 GAC

GAC project scoping and prioritisation

04 GAC

Initial discussions of 3 key projects "post GGSS", "hydrogen blending" and "gas storage"

05 GAC

Redefined project way of working to all NESO led.

Formation of working groups and projects started work

06 GAC

Discussion on projects for GAC post GMR publication

GMR Published

GMR to report on progress of current projects, and set out projects, actions and plans for future cycles.

Actions Review

ID	Description	Owner	Status
5.1	NESO to raise with DESNZ how they intend to use the GMR and share at the next GAC	NESO	Closed – discussed within meeting
5.2	Bi-laterals to be arranged by NESO as required for central challenges discussion (for example NESO and NC on CCUS and gas requirements)	NESO	Closed - bi-laterals held
5.3	NESO to share details on what happens after the 2 year term for GAC members	NESO	For discussion in the session

Meeting Objectives and Focus

- **NESO Updates and information share**

Sharing progress and development relevant to the GAC including updates from the current inflight GAC project working groups

- **GMR Key Messages**

Sharing early sighting of the GMR key messages as the report develops.

- **GMR Projects and GAC future cycles work**

Gaining feedback on the initial view of GMR projects and discussion on who is best placed to support in projects.

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Headline Report

NESO Publications

- **transitional Regional Energy Strategic Plan (tRESP) (30 Jan 2026)**
  What: NESO's first transitional Regional Energy Strategic Plan to inform DNO investment/business plans for ED3 (2028–33), with supporting report/exec summary/explainer and consultation feedback materials.
  Why it matters: Sets a GB-wide strategic evidence base for regional network investment decisions and helps align distribution planning with wider whole-system needs.
  Link: https://www.neso.energy/what-we-do/strategic-planning/regional-energy-strategic-planning-resp/transitional-regional-energy-strategic-plan-tresp [neso.energy], [neso.energy] [neso.energy]
- **Summer Outlook 2026 (Apr 2026)**
  What: NESO's electricity system outlook for Apr–Oct 2026, covering adequacy expectations, operational challenges, and market context.
  Why it matters: Supports industry summer readiness and signals the operational risks/tools likely to be needed over the period.
  Link: https://www.neso.energy/document/380251/download [neso.energy], [neso.energy] [neso.energy], [neso.energy] [neso.energy]
- **Electricity Market Roadmap 2026**
  What: A consolidated roadmap view of planned NESO Electricity Market work across 2026.
  Why it matters: Useful forward look for stakeholders to see upcoming reports, workstreams and focus areas for NESO electricity markets
  Link: https://www.neso.energy/publications/operability-strategy-report-and-electricity-markets-roadmap

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Key Publications: January – April

1. **DESNZ – "Gas system in transition: security of supply" consultation (closed 18 Feb 2026)**
   Examines GB gas security priorities during transition and potential policy actions on infrastructure capacity, resilience and commercial model. [gov.uk]
2. **Ofgem – Exit Capacity Planning Guidance (published 1 Apr 2026)**
   Updated guidance under SSC A57 for exit capacity planning/booking process requirements for gas transmission/distribution licensees. [ofgem.gov.uk]
3. **DESNZ & Ofgem – Open letter on connections reform delivery (16 Apr 2026)**
   Sets expectations on governance/reporting and flags outcomes/risks (incl. battery volumes vs system need). [gov.uk]
4. **DESNZ – Ofgem Review: final report (updated 22 Apr 2026)**
   Government's final report on reforms to strengthen Ofgem's role and powers (consumer protection, enforcement, accountability). [gov.uk], [assets.pub...ice.gov.uk]
5. **Ofgem – blog on strategic energy planning & connections reform in 2026 (21 Apr 2026)**
   Commentary on 2026 priorities for planning and connections, referencing NESO timeline updates and delivery focus. [ofgem.gov.uk]

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Headline Report: Code Updates Jan - Mar

- With the upcoming **CAM Code changes** DESNZ have confirmed their preferred approach is to reduce granularity in Statutory Instruments, retaining only high-level principles and moving the detail into code.
- As advised in Jan, Ofgem [& DESNZ] received a paper from HSE concerning proposed changes to the **Wobbe Index**, which are being considered in DESNZ's system resilience consultation to encourage LNG imports by reducing the need for nitrogen ballasting.
- CNG have raised IGTUNC modification CSL01 to exclude **standalone networks** from IGTUNC provisions. This is to support biomethane networks that are not connected to the grid.
- National Gas are seeking to temporarily stop **DSR** for 2026 under UNC0923.
- DESNZ have started engagement on the new **Hydrogen Code**, inviting stakeholders to a Code Engagement Forum and seeking expressions of interest (EOI) for a smaller bespoke Code Advisory Group.
- Ofgem are undertaking a review of typical domestic consumption values which, if implemented, will reduce the **average domestic usage** for low consumers to 6,000 kWh (1,500kWh reduction), medium consumer to 9,500kWh (2,000kWh reduction) and high consumers to 14,000kWh (3,000kWh reduction).

Molecule Consultations

These are the consultations that have been received and assessed for this period

Title	Issued By	Issued	Deadline
0911S - Amendment to DSC to introduce Shipper Assurance Audit (ISAE)	JO	15/01/26	05/02/26
0919S - Housekeeping amendments to TPD Sections B, G and M	JO	15/01/26	27/02/26
National Gas SMPS Consultation 2026	National Gas	19/01/26	16/02/26
Offshore Energy Strategic Environmental Assessment 5 Scoping	DESNZ	29/01/26	06/03/26
Modifications to additional RIIO-3 associated documents	Ofgem	02/02/26	26/02/26
Carbon capture, usage and storage (CCUS): non-pipeline transport	DESNZ	05/02/26	01/05/26
Draft Gas Distribution (RIIO-3) crossover submission guidance	Ofgem	12/02/26	12/03/26
Heat networks regulation: recovering Ofgem's costs	Ofgem	17/02/26	02/04/26

Molecule Consultations

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Title	Issued By	Issued	Deadline
UNC0908 - Removal of DNO meter reading obligations resulting from non-provision of a Valid Meter Reading by a Shipper	JO	20/02/26	27/03/26
Data Transparency - Design Concepts	National Gas (JO)	20/02/26	06/03/26
Proposed indicators: Ofgem performance and energy sector health	Ofgem	23/02/26	07/04/26
Article 28(2) Tariff Network Code: gas year 2026 to 2027 consultation	Ofgem	26/02/26	26/03/26
Data for AI in the energy system: call for evidence	DESNZ	02/03/26	24/04/26
Notice proposing modifications to the Regulatory Instructions and Guidance (RIGs) RIIO-2 Year 5 for gas distribution	Ofgem	02/03/26	30/03/26
Notice proposing modifications to the Regulatory Instructions and Guidance (RIGs) RIIO-2 Year 5 for gas transmission	Ofgem	02/03/26	30/03/26
Implementation of energy code reform: template code text	Ofgem	06/03/26	17/04/26

Molecule Consultations

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Title	Issued By	Issued	Deadline
Accelerating electricity network connections for strategic demand	DESNZ	11/03/26	15/04/26
Warm Homes Fund: innovative finance for investments and loans	DESNZ	24/03/26	01/06/26
Review of typical domestic consumption values	Ofgem	25/03/26	20/04/26
Update of the Independent Gas Transporters Relative Price Control	Ofgem	27/03/26	22/05/26

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NESO Updates

EMAC 19th March

Challenges not resolved by RNP self-dispatch

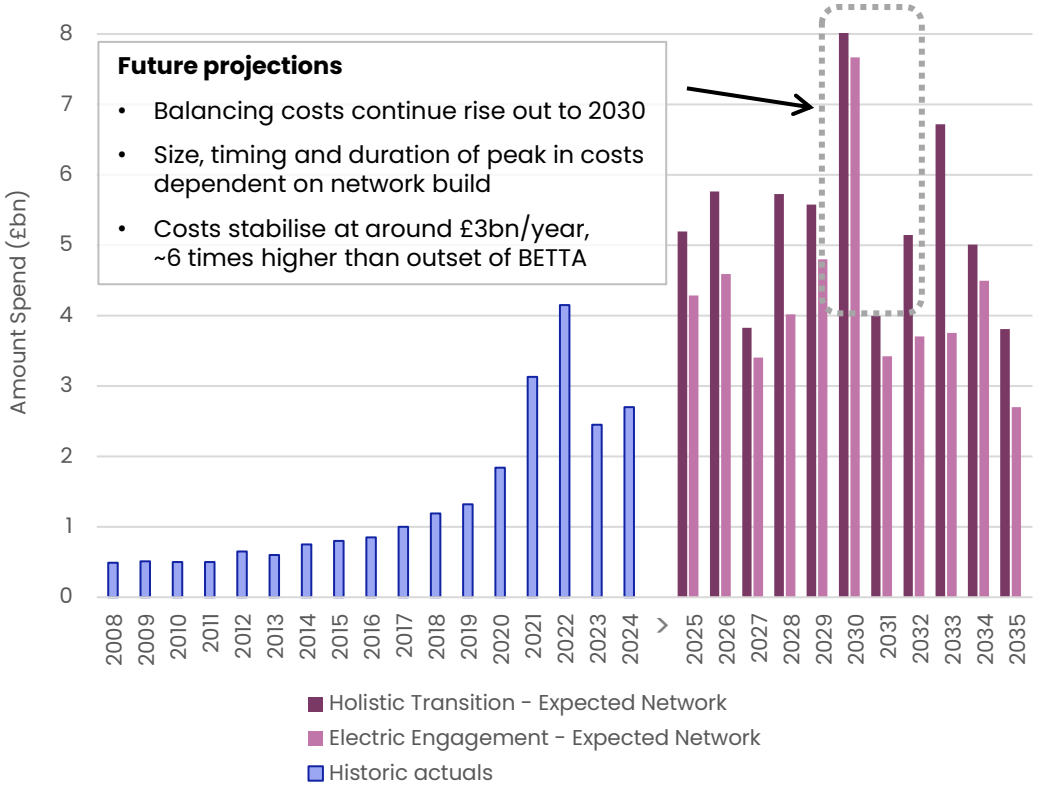
1. **High redispatch volumes and balancing costs**
2. Reliance on countertrading and European TSOs
3. Inefficient scheduling of storage assets

1

- National pricing and self-dispatch simultaneously:
  - Provides poor incentives to market participants to operate in line with network constraints; and
  - Inherently limits NESO's ability to co-ordinate and re-dispatch such assets effectively.
- Two-way assets frequently receive the "wrong" price signal, leading them to be scheduled in a way which exacerbates, rather than alleviates, constraints.
- This needs to be resolved by NESO close to real-time in the BM, which is inherently unsuited to the co-ordination and redispatch required

Balancing cost history and projections

Balancing costs are projected to stay at historic highs, despite significant transmission network build-out



Challenges not resolved by RNP self-dispatch

1 High redispatch volumes and balancing costs

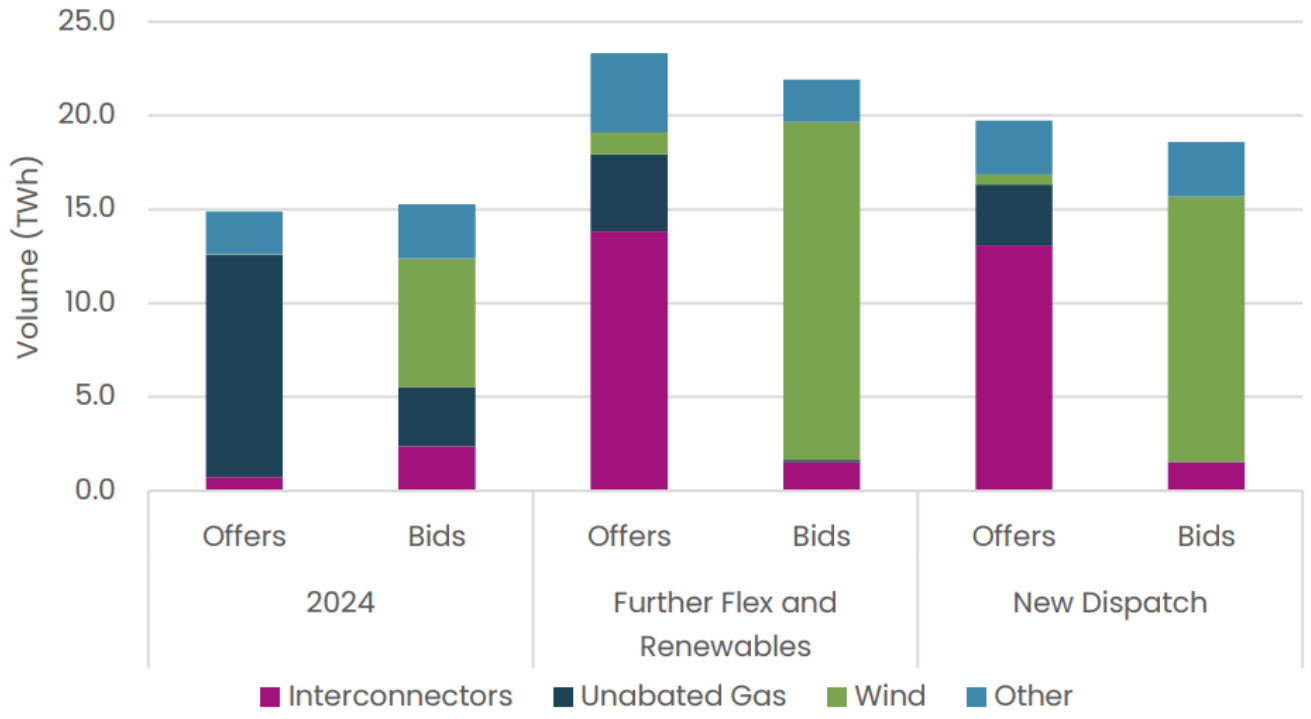
2 **Reliance on countertrading and European TSOs**

3 Inefficient scheduling of storage assets

2

- Clean Power 2030 modelling projects that redispatch volumes could be up to 50% higher in 2030 compared to 2024, and interconnector redispatch volumes could be 500% higher than today, even with the recommended network build outlined in the CP30 report.
- Interconnector modelling is sensitive to assumptions and price forecasts from neighbouring countries; however, these figures illustrate the potential scale of future interconnector redispatch.
- If we were unable to redispatch the required volume on interconnectors, then we may need to rely on unabated gas generation at high cost to manage these volumes, assuming it's available.

Historic and projected interconnector redispatch



Interconnectors and storage make up ~50% of GB demand in CP2030

CP2030 modelling assumes:
- 12GW/80TWh of interconnectors
- 30GW/70TWh of BESS and LDES
- 315TWh of demand

Challenges not resolved by RNP self-dispatch

1 High redispatch volumes and balancing costs

2 Reliance on countertrading and European TSOs

3 **Inefficient scheduling of storage assets**

3

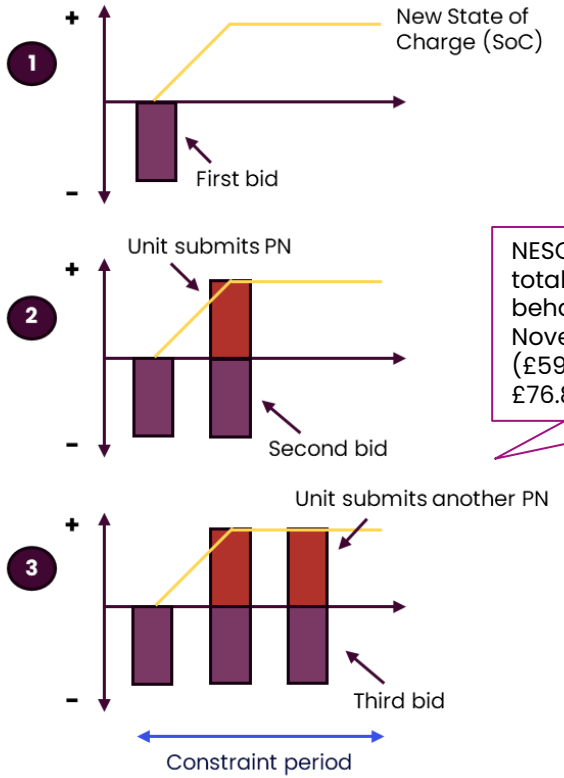
- The intertemporal constraints for energy-limited units means 'usable' energy of storage assets in periods beyond the balancing window cannot be known with certainty
- Current scheduling of storage is uncoordinated in relation to network constraints, with storage units both helping and hindering transmission constraints at different times in unpredictable ways
- In the BM batteries can reverse the contribution they made to the transmission constraint by their own initial schedule. Hence boosting their revenue by not selling or buying actual energy

Illustrative example of battery 'repetitive re-trading'

1
- Consider a storage unit which has a SoC of 0% and is located behind a constraint.
- To resolve the constraint, a bid is sent to charge the unit, increasing its SoC for the subsequent periods.

2
- With its new SoC, the unit now wants to sell the energy, and so it submits a PN.
- However, the constraint is still active so the energy cannot be physically delivered.
- A second BOA is sent to the unit to prevent the energy being discharged.

3
- This dynamic repeats itself for future periods and can continue for the entire constraint period.
- As a result, a higher volume of actions are required to resolve the constraint, increasing consumer costs.



NESO analysis found that the total consumer cost of this behaviour £136.3m for the period November 2024 to October 2025 (£59.5m of wholesale costs and £76.8m of balancing costs)

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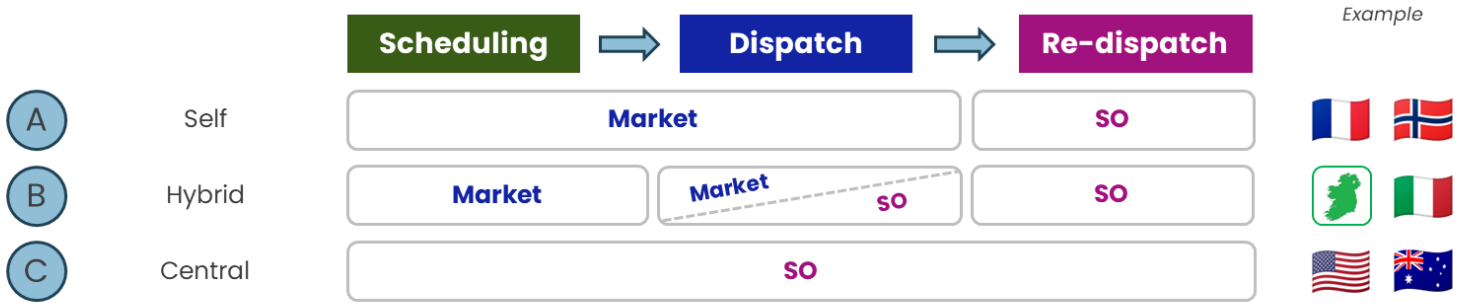
Dispatch reform: Options

Types of dispatch arrangements

The main differences between dispatch arrangements are around how the scheduling and dispatch positions of units are set, and how any misalignment between those positions and the physical needs of the system are resolved. The greater the misalignment, the more redispatch will be needed.



A Self

- Market participants are allowed to trade between each other, without reference to the System Operator
- They optimise their own schedules and dispatch positions to maximise profit and to manage risk
- The System Operator re-dispatches from the final market positions to meet physical needs at lowest cost of deviation
- Price signals can be used to incentivise market participants to trade in ways that align to system needs *(e.g. imbalance & locational pricing)*

B Hybrid

- Typically uses self-dispatch as the starting point, for some or all assets
- System Operator then has a formal balancing role at an earlier stage, either:
  - in parallel to the market, or
  - taking over from the market participants
- *e.g. early re-dispatch, market restrictions, taking over balance responsibility*

C Central

- Market participants transact through a centralised market run by the System Operator
- Schedules and dispatch position are decided through a centralised market algorithm
- Aim to minimise the overall cost of meeting energy and system needs
- Minimal re-dispatch is needed, as the previous steps directly reflect the physical needs of the system
- Incentives are focused on units following the dispatch positions

Electricity Market Roadmap

Thomas Pownall

Purpose of the Electricity Markets Roadmap

Objectives

- Sets out the strategic direction for NESO markets.
- Summarises NESO market reform activities and outlines why they are needed.
- Ensures stakeholders are confident in the market reforms we are making.

Publication

Website links

Website now includes:

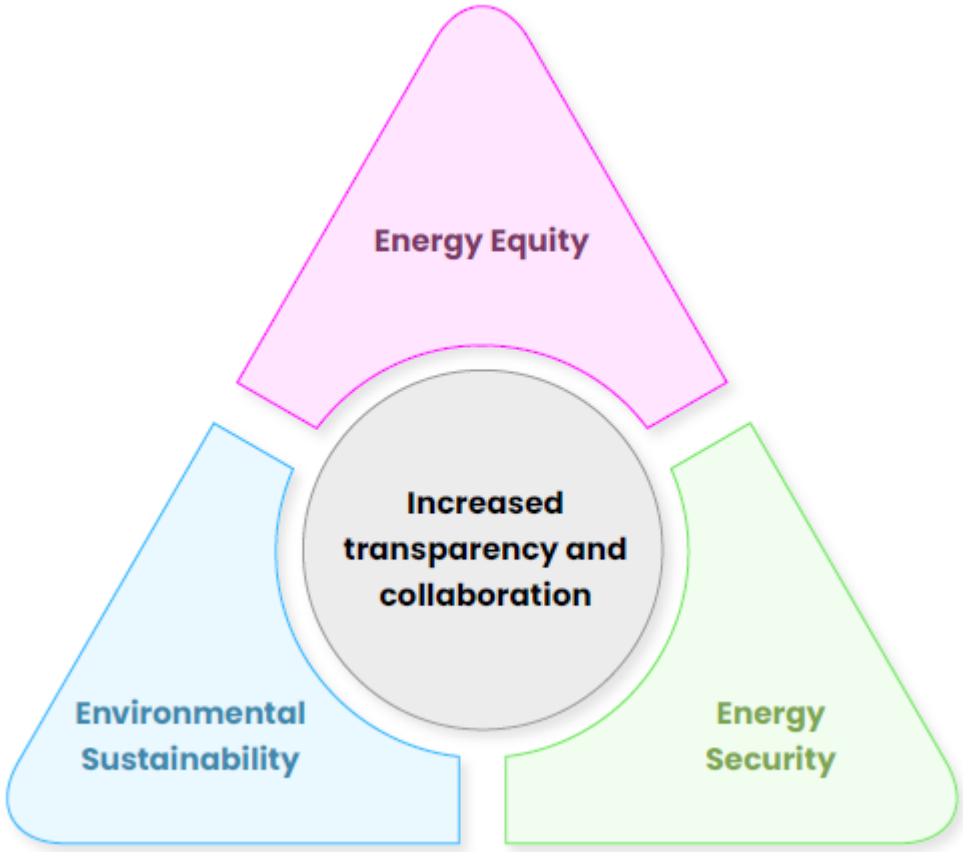
- Publications
- Interactive documents
- Timelines
- Publication map

Context for market reforms

NESO's balancing services markets are all driven by the trilemma.

This year, we provide a breakdown of reforms by each leg of the trilemma.

Doing so, we demonstrate the coherency across our market reforms.



Key headlines from 2025

Chapter	Update
Demand-Side Flexibility	Bespoke chapter to recognise importance
Power Responsive	Significant milestones met across 2025
Balancing Mechanism	Open Balancing Platform continues to improve visibility and dispatch efficiency Awaiting outcome of Reformed National Pricing proposals
Response	Increased procurement of day-ahead dynamic services
Reserve	Slow Reserve went live
Stability	Long-term tender launched and 2nd mid-term procured 7.3 GVA.s
Voltage	Long-term tender launched and mid-term market live Q2 2026
Restoration	Long-term tender launched Distributed restart contracts awarded in Northern region
Thermal	Constraint Collaboration Project is progressing

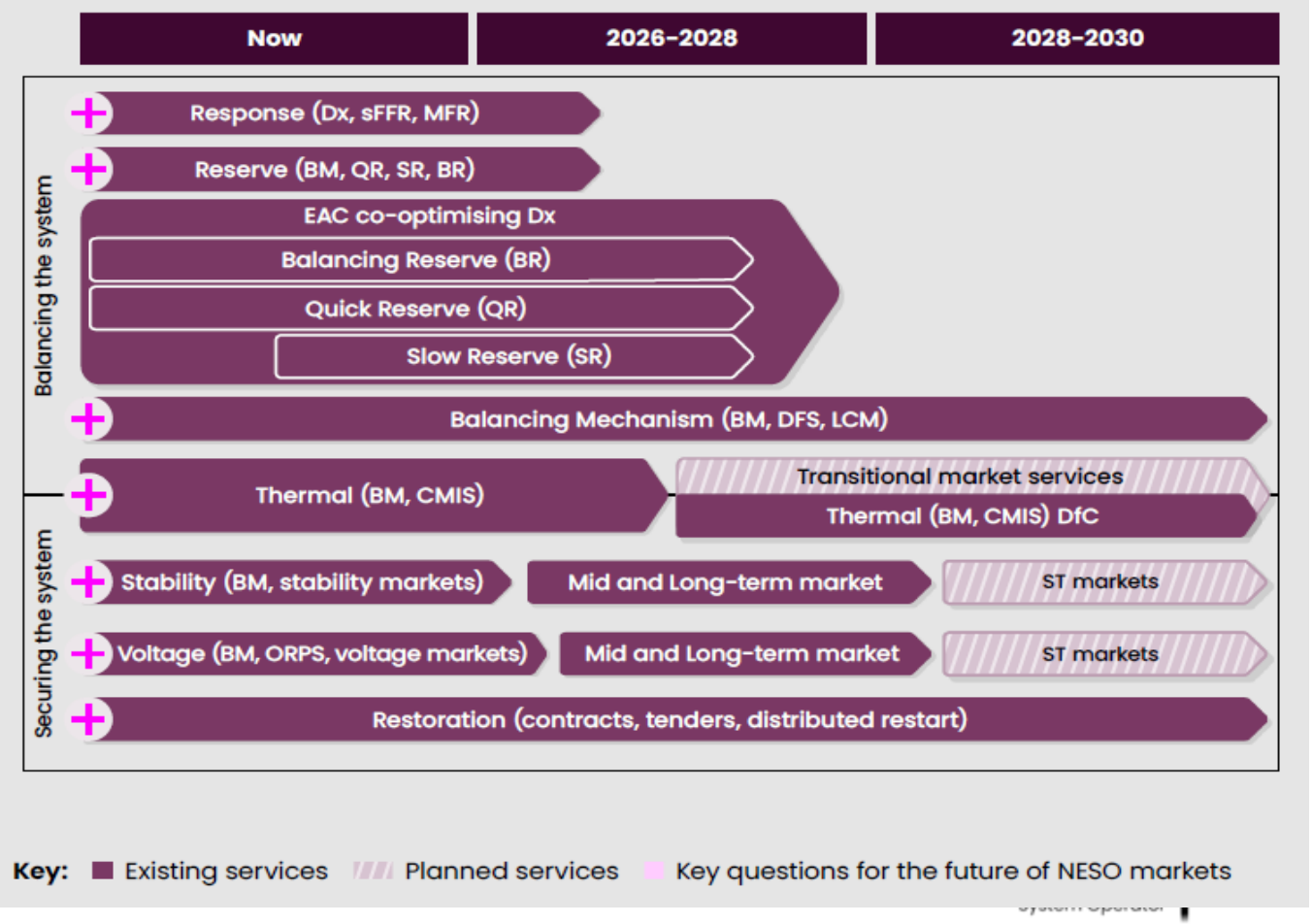
Fit for purpose markets: CP 2030

Our roadmap details our planned market reforms

These are ongoing to ensure our markets are fit for purpose. For example:

- Breaking the provision of inertia and MVars with active power
- Doing so reduces both cost and carbon

All existing, and proposed markets, undergo a Market Design Framework assessment



Acting on stakeholder feedback

You said,	We did
Greater alignment between NESO publications	• We have taken a greater focus on alignment this year. • Expect this to continue into future publications
Enhance accessibility of document to our customers and service providers	• The website has been updated to make it easier for our customers and service providers to navigate • We'll seek feedback to improve this further
Link the publication to wider strategic priorities	• Greater emphasis on facilitating NESO's wider strategic objectives e.g., Clean Power • Agreement on key messages across publications
Demonstrate NESO's independence	• Focused on areas within NESO's remit • Clarity on NESO / wider institution roles e.g., RNP's CfI
Make the publication more concise	• Slimmed down the Electricity Markets Roadmap • Better use of annexes, infographics and the website • Greater signposting to key NESO documents
Seek greater profile for the reports and collect feedback from industry on the publications	• Extensive comms plan developed and is being enacted

We want to hear from you!

Welcome opportunity for further discussions on feedback

Contact details:

box.market.dev@neso.energy

Publication

Website links

Feedback

Feedback forms

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GAC Membership Update

GAC Membership term

- As the Gas Advisory Council approaches the end of its initial two-year term, we want to take a transparent and proportionate approach to renewing membership
- Rather than automatically rolling membership over, NESO is proposing a review-and-refresh approach, which is consistent with how other NESO advisory groups operate. This allows us to retain strong engagement and experience, while also ensuring the Council remains balanced and fit for the next phase of work.
- We are launching a survey to gauge interest in staying on at the GAC if available and for any area's where we may be missing representation.

- Following this survey, we will review responses along with a number of criteria including:
  - Contribution: attendance and participation in meetings
  - Representativeness: ability to reflect constituency view (rather than individual company position)
  - Appropriate gas value chain and cross market perspectives: understanding there are multiple viewpoints to constituencies and whether rotating the position may be required for fairness.
  - Future works needs: with more of a view of the projects likely to continue into 2027/28 we will review the skills/knowledge gaps we will need the most and ensure membership is reflective of this.

Gas Market Roadmap Key Messages

This section has been redacted

Gas Market Roadmap Projects

This section has been redacted

Next Steps for GMR

GMR Drafting

DESNZ / Ofgem review

GAC to review draft

GAC Cycle 2 Project Planning

Cycle 2 GAC Projects Kickoff

GAC Cycle 1 Projects Continue as long as needed

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GAC Projects

Post-GGSS Biomethane Project Aims

1. Assess the effectiveness and lessons learned from the RHI and GGSS programs in increasing biomethane production and supporting biomethane producers.
2. Compare international examples of biomethane support with UK policies to compare to the UK that may or may not be implementable to foster greater biomethane production domestically.
3. Identify and assess viable post-2030 policy, market, and regulatory options to support continued biomethane productions.
4. Provide evidence-based recommendations to inform NESO's Gas Market Roadmap and provide DESNZ additional information on viable biomethane subsidy support options.

Stakeholder Engagement Feedback

Subsidies remain essential – Biomethane is largely unviable without support; long-term certainty matters, but alternative models may be needed for growth.

Costs are rising faster than support – CAPEX and OPEX have increased sharply and are not fully reflected in current subsidy indexation.

ETS recognition is critical – Lack of alignment blocks long-term offtake and is a key barrier to scale and reduced subsidy reliance.

Feedstock economics have worsened – Food waste costs have flipped, contamination (plastics) is costly, and reliance on crops is increasing, this should be reflected in subsidy requirements and subsidy levels.

Digestate is currently a weak revenue stream – Widely not currently profitable, however potentially has untapped potential dependent on policy change.

CO_2 capture is not yet economic – High costs, unstable markets; future-proofing is happening, but investment is limited.

Planning is a major bottleneck – Long, uncertain processes has delayed projects, improved over time, but with new scheme could be improved upon further.

Grid constraints are limiting deployment – Connection capacity and cost issues increasingly impacting biomethane production and new plant development.

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Hydrogen Blending

Discussions held so far:

15th Dec 2025: Hydrogen Blending Working Group Kick- off Session

11th Feb 2026: System Value Discussion - FTI Consulting

23rd Feb 2026: Technical Readiness & Regulatory Readiness Discussion - Blending Implementation Programme

11th March 2026: NESO-DESNZ Bilateral discussion

Key outputs:

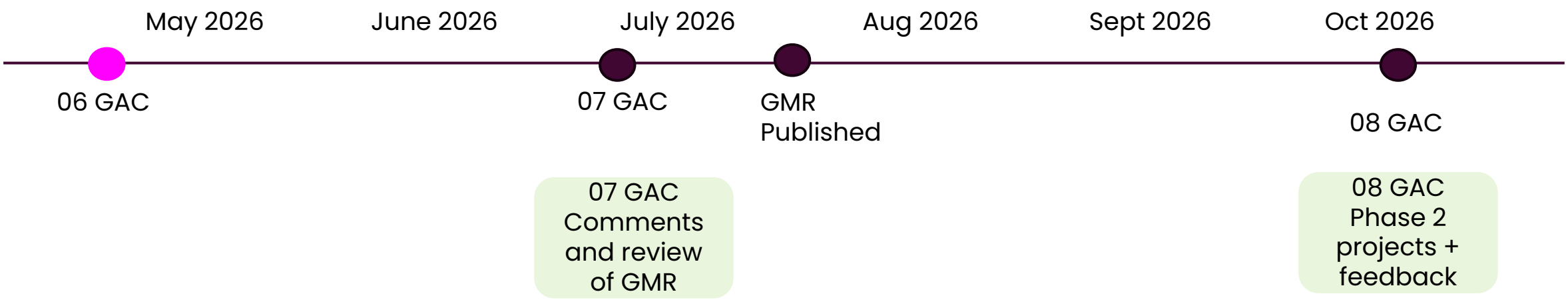
Proposed area of focus identified around supporting DESNZ in assessing the potential impacts of hydrogen blending on sensitive end users.

Next steps:

Upon agreement with working group and DESNZ agreement on the approach we will define approach and begin the project. We will ensure all GAC members receive the outputs.

Next Steps and Close

Next Steps for GAC



GMR Drafting

GAC to review draft

GAC Cycle 2 Project Planning

Cycle 2 GAC Projects Kickoff

GAC Cycle 1 Projects Continue as long as needed

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AOB

Thank you

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