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DER Participation in NESO Reactive Power Markets

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Objectives

Share the decision regarding DER participation in NESO Reactive Power Markets

Provide the detail behind this decision

Signpost opportunities for market participants to ask questions

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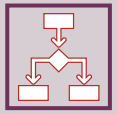
Agenda


Managing Voltage and Background


Update


Future Vision and DER Participation Illustration


Q & A Call

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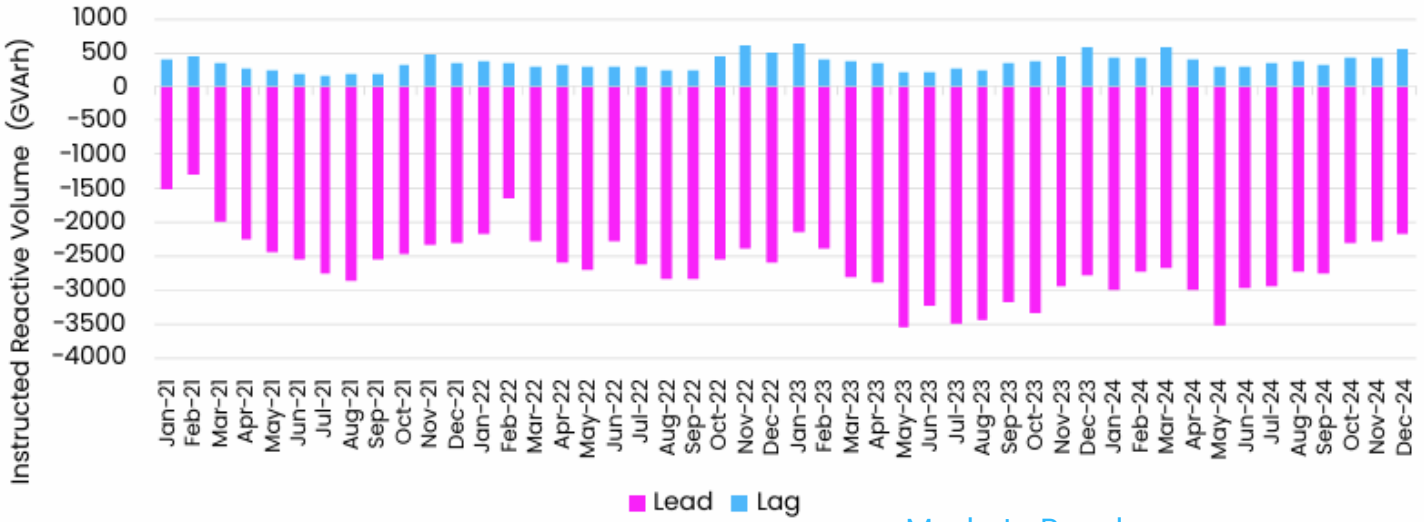
Managing Voltage

NESO must maintain system voltages within set limits

We continue to see significant changes across the system:

- Increasing renewable and embedded generation
- Shifting demand patterns
- New network assets
- Planned/un-planned outages of existing generation and network assets
- Increased operational expenditure

VT Figure 1: Lead and lag volumes



Markets Roadmap Download (See p. 98)

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Background

Reactive Power Market Design project included a report on DER

The project concluded that further work would be required to understand the role of DER within our reactive power markets.

This follows our Reactive Power Market Design innovation project.

This further work identified and assessed four options:

1: Expand the reactive power markets eligibility criteria to allow DER/DNO/DSO connected parties

2: Establish a separate DER/DNO/DSO Reactive Power Market

3: DNO/DSOs to act as aggregator to provide reactive power services to NESO

4: DNO/DSOs to be mandated to manage voltage on their own network.

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Update

At this time NESO will not allow DERs nor DNO/DSOs to participate in NESO Reactive Power Markets

Decision – Option 4
DNOs/DSOs to be mandated to manage voltage on their own network

Rationale:

- Reactive power issues are heavily influenced by how Distribution Networks are designed and managed
- Ofgem's ED3 Sector Specific Methodology Decision will introduce voltage management as a new responsibility of the DSO role
- NESO consider that addressing the network management issue on the distribution network at source through codes and policy is the appropriate way forward.

We will keep this under review and welcome further views from stakeholders

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Future Vision

We are continually developing our future vision

This vision is being informed by:

- Ofgem's ED3 Sector Specific Methodology Consultation decision
- Working with industry partners (DNOs, TOs, Market Participants, Market Platforms) to agree a longer-term roadmap
- Greater visibility of distributed energy assets (TIDE)

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DER Participation Illustration

	Transmission Connected Typically 275kV and above in E&W, 132kV and above in Scotland, or otherwise directly connected to the transmission network	Distribution Connected (DER) Typically connected through a distribution network, often a 132kV or below in E&W or below 132kV in Scotland
Long-term Market	✓	✗
Mid-term Market	✓	✗
Short-term Market	Not applicable	Not applicable

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Q & A Call

Tuesday 22 July 2026 – 14:00

Stakeholders are invited to join us for our Q&A call and register using the link or QR Code

QR Code to register:

Link to register for – Industry Q&A call: DER in NESO Reactive Power Markets

Please provide any feedback, or questions you'd like answered in relation to this decision by
Email to box.voltage@neso.energy
Or, on the Q&A call

We will keep this decision under review and welcome further views from stakeholders

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