Update to industry on NESO Optional Inertia Mechanism development

26 August 2026

As the operator of the electricity transmission system in Great Britain, NESO needs to ensure that the power system operates securely while managing balancing costs for consumers and facilitating the progress to a net zero system. In 2022, NESO concluded the Stability Market Design innovation project which designed a suite of stability markets to procure inertia and Short Circuit Level sustainably and cost-effectively. To date, we have run three iterations of the Mid-Term (Y-1) Stability Market and launched the first Long-term Market tender for delivery from 2029 onwards.

Following our decision not to proceed with the proposed Short-Term (D-1) Market earlier this year (**link**), as initially designed through the Stability Market Design project, we are assessing the value of an alternative **optional mechanism.** This would access inertia from eligible assets capable of providing inertia independently of MW output, to understand how this delivers savings for consumers. This could provide an additional route to optimise inertia procurement closer to real time, with a lower level of implementation effort and a clearer consumer benefit case.

Currently, if we have an inertia deficit in real-time and have utilised all our existing stability contracts, we typically issue system-tagged offers to turn on synchronous generation and access their inertia via the Balancing Mechanism (BM). This often means adding extra power to the system at times when it may not be required. The proposed **optional inertia mechanism** would allow access to units capable of offering inertia services independently from generation. As an optional service, providers would not be contracted for capacity in advance and would receive a utilisation payment when dispatched. This would provide NESO with a flexible route to access additional inertia, when required on a short-term basis.

The proposed **optional inertia mechanism** would provide opportunities for NESO to access inertia services without unnecessarily increasing generation output, helping to reduce carbon impacts, maintain security of supply, and deliver lower-cost outcomes for consumers. It also contributes to future security of supply by identifying and enabling the use of 0MW options of inertia in lower-carbon scenarios, where fewer synchronous units may be running. The mechanism seeks to promote greater competition amongst participants and provide more cost-effective alternatives to the BM, whilst also striving to improve the transparency of the system actions we take in real-time. For the

avoidance of doubt, the Long-term (Y-4) and Mid-term (Y-1) Stability Markets remain the primary marketplace for procuring inertia and the exploration of this mechanism is independent of the ongoing procurement events for Round 3 of the Mid-term (Y-1) Stability Market (2027/28) and the Long-term 2029 Tender. This **optional mechanism** would seek to meet any residual inertia requirements before instructing units in the BM.

The next phase of work will focus on developing the detailed design of the optional mechanism, including its interaction with other markets. In parallel, we will continue to assess the key delivery considerations including cost and timeline impacts to support informed decision-making. This will consider the required system changes and prioritisation alongside other market developments and existing delivery commitments.

In the meantime, we've set out below our initial thinking on the service design and would welcome your views on it, so that we can understand interest in participating in such a mechanism and any potential benefits or challenges associated with it.

Emergent high-level design thinking for the optional mechanism is set out below:

Design Element	Optional Mechanism
Service Window	**Continuous** Providers declare themselves available to receive an instruction, with no defined service windows
Market Dispatch	**Real-time** Dispatch decision made close to real time
Dispatch Mechanism	**Start/cease instruction** Providers will receive a start instruction to begin delivery, followed by a cease instruction once delivery is no longer required.
Payment Type	**Utilisation Only** Providers bid a utilisation price, no availability payment as this is a real time service.

Payment Mechanism	**Pay as Bid** Assets compete to offer the best pricing against each other and alternative options (e.g. BM units).
Price Submission Window	**Continuous** Providers are permitted to change their price based on pre-agreed timeframe e.g. weekly or monthly
Maximum notice time to deliver	**30-minutes** Aligned with Mid-term contract requirements.

Please contact us at box.stability@neso.energy if you would like to discuss any suggestions or share your thoughts. We would appreciate any feedback to be submitted by the end of September 2026, so we can look to incorporate it into our market design.

We will keep you informed as further steps are progressed, with our next update planned for November 2026.