

Ofgem LDES Draft Special Licence

Conditions: minded-to decisions

This document sets out NESO's response to Ofgem's consultation on its minded-to decision regarding the proposed LDES licence conditions. Certain commercially sensitive information has been redacted from the version submitted to Ofgem on 18 August 2026.

Q17. Developing policy areas and evidence needed

CFI Question: Across the areas in Section 4, what should Ofgem prioritise as we finalise Window 1, and what evidence should we use to decide what belongs in the licence, in RIGs, or in future decisions? Please also tell us if you think any of these areas do not need further work, and why?

NESO understands the rationale underpinning Ofgem's minded-to decisions in this area and recognises the desire to avoid introducing overly prescriptive or technology-specific requirements at this stage. However, we consider that a number of important policy and market design dependencies remain unresolved, particularly where the effectiveness of the proposed approach relies on future development of wider market and operational frameworks. The dependencies, and the risks associated with delays or uncertainty in their delivery, should be acknowledged and kept under review as the Long Duration Energy Storage (LDES) regime develops.

NESO therefore broadly supports Ofgem's proposed approach and agrees that further policy development should be informed by operational evidence as LDES assets are deployed and wider market reforms mature. However, the framework should be updated where operational experience identifies material gaps in existing arrangements.

NESO notes that GC0166 was developed primarily to facilitate Short Duration Energy Storage participation and visibility. As operational experience with LDES develops, further consideration may be required as to whether additional parameters or requirements are necessary to facilitate the operation of a safe, secure and economic electricity system. Any such changes should be informed by operational evidence and progressed through the most appropriate governance processes.

We support continued monitoring of asset performance, market participation and system outcomes to inform future policy development and any interventions that may be required. Where possible, policy measures should complement existing frameworks and ongoing workstreams, avoiding duplication or conflicting obligations.



NESO therefore broadly supports focusing further policy development on areas where there remains an identified gap in existing arrangements, particularly prolonged system stress events and future coordination requirements, while allowing other developing areas that are already being progressed through ongoing industry reforms and code processes to mature before considering further intervention.

Q18. Supply and availability during system stress

Redacted.

Q22. Repetitive Re-trading

CFI Question: How material is RRT for consumers and LDES cap and floor outcomes? Please provide evidence. If it is material, what (if anything) should Ofgem do within the LDES regime (for example monitoring, reporting, or threshold tests) to protect consumers without restricting legitimate revenue maximisation? If no action is needed, please explain why (for example due to wider market reforms) and provide evidence.

We support Ofgem's position against introducing any specific policies for LDES on repetitive re-trading and on addressing the issue across all technology types through wider market reforms. NESO is working closely with Ofgem and DESNZ on several options to optimise storage assets to charge and discharge effectively, thereby minimising the negative impact associated with repetitive re-trading. This could be delivered via utilising short-term benefits solutions and long-term options, which may involve wider market reforms.

Q23. Operating as LDES

CFI Question: Do you think the draft licence and reporting framework should do more to ensure that cap and floor supported LDES continues to deliver long duration capability over its lifetime? Please address the four areas set out below.

The primary purpose of LDES assets is to provide the system with flexibility benefits in a way that is distinct based on their long-duration capability: To provide power to the system when most needed, for several hours at a time (either continuously or in shorter intervals) without recharging in between (and vice versa to continuously recharge large amounts of energy). We reiterate our earlier view that appropriate safeguards are needed to guarantee that this distinct system benefit of LDES is realised and incentivised. In terms of the proposed regime for availability of C&F assets for stress events, we elaborate in our position in the Q18 response above.

In addition to this, there will be times where LDES assets can provide system value through deployment periods of less than 8hrs of discharge without charge (or vice versa). Our modelling

for the C&F advice found that alongside providing flexibility over long durations there were periods in which shorter duration deployment by LDES is the cost-optimal way to meet system needs, and in which this is achieved without compromising the asset's availability for long duration events. From the perspective of maximising consumer value from the supported assets, it is therefore desirable for such deployment behaviour to be permitted for LDES assets, subject to agreed safeguards that ensure they fulfil their primary system purpose as above. These safeguards are needed because LDES operators will base their deployment decisions on imperfect forecasts, risking suboptimal system outcomes if a shorter-duration deployment decision, with hindsight, proves to have been the wrong call. Our C&F modelling assumes perfect foresight and does not demonstrate how reliably an LDES operator would identify and capture these opportunities in real time.

We agree that the high-level ambition should be to safeguard the above system benefits and we are of the view that Ofgem needs to determine the appropriate balance between “efficient market participation and ensuring that supported facilities continue to operate as long-duration electricity storage” (CfI, para 2.212). We would be pleased to continue engaging with and supporting Ofgem in defining how this works. Under any operating regime, it is necessary to retain the capability to align dispatch to prevailing system conditions when needed.

We note that the updated licence conditions proposal does not set out the exact set of rules under which LDES assets could operate freely in relevant markets outside of system stress events (exact cycling behaviours allowed, definition of ‘routine or persistent’ short-duration cycling). It is essential that the day-to-day operating incentives for LDES are fully understood, and consideration is given to whether some elements of prescription are warranted. Considering the wider market reforms discussed in our Q18 response, it may also be warranted to update relevant parts of the C&F licence conditions at a time when such wider reforms are in place.

