

Question	Confidential/Non-confidential	Stakeholder	Stakeholder response summary	NESO response & need for a change?	Feedback resulted in change to proposed Methodology (Y/N)	Page number for any consequential change from the feedback (tracked change version)
Question 1– Is your organisation currently signed up to the NTC Commercial Compensation Methodology?	Non-confidential	BritNed	No. Supports NESO's duty to secure the system and intent behind the requirement.	NESO notes the respondent's position. No response required.		
	Non-confidential	NGV	Yes. North Sea Link and Viking Link provide for the use of NTCs. Amendments to the BASA and trilateral Operating Procedure with RTE would be required for IFA and IFA2 to adopt NTC use so full engagement with the joint venture partner would be required, notwithstanding existing issues NGV have with use and compensation of NTC.	NESO notes the respondent's position. No response required.		
Question 2 – In the view of your organisation, would the proposed version of the NTC Commercial Compensation Methodology meet the Commercial Principles outlined within the document?	Non-confidential	BritNed	No. Received in Q1 response: Questions cost reflectivity of the Compensation Methodology if it creates a financial incentive for NTC restrictions- (Additional detail received in a clarification response) The participant summarises that NESO reduces IC capacity by applying NTC restrictions, causing scarcity, which in turn drives up the congestion price. Interconnector owners gain revenue from this scenario but are expected to pay NESO the difference, resulting in negative compensation.	NESO sought additional clarification from the respondent on this point to clarify how the Compensation Methodology creates a financial incentive for restrictions (for the interconnector if paid to be kept whole, for NESO). NTC is a tool used to ensure security of the system and the Compensation Methodology is designed to ensure any financial gains/losses are compensated. NTCs are procured for three primary reasons related to system security: Constraints Management: NTCs are applied when an interconnector is either affected by a system constraint or significantly influences it. This includes localised voltage, thermal and stability constraints. An NTC can only be applied if deemed effective. This is defined by an NTC changing the flow across the Critical Network Element (e.g. line, cable, transformer) responsible for the constraint by at least 5%. This is in line with EU TSO requirements (CSAM Article 15(5)). Largest Loss/RoCoF/Response: Based on forecasted system inertia, which is influenced by wind generation, conventional generation, and demand forecasts, NTCs can be adjusted to mitigate the impact of the largest loss event on the system. These are applied based on latest forecast inertia levels derived from latest generation and demand forecasts. Margin Management (Risk of System Warnings): NTCs may be used when NESO anticipates difficulty in securing sufficient positive or negative margin. If insufficient positive margin is available, this could necessitate issuing an Electricity Margin Notice or a High Risk of Demand Reduction (HRDR) notice. Similarly, if negative margin is insufficient, a Negative Reserve Active Power Margin (NRAPM) warning may be required.		
	Non-confidential	BritNed	Concerns raised (for transparency and governance points, see Q3 below): 1) Scope of NTC limitations – Concerns as to restriction of nominated and allocated capacity, believing that restriction should only be for unallocated capacity (within the interconnector owner's operational discretion) to be proportionate, targeted and aligned with market principles. Restricting allocated capacity affects market outcomes and undermines the market's integrity.	This response is out of scope for the Compensation Methodology directly – NESO will consider this as part of a separate review of NTC Calculation Policy in due course NESO notes the respondent's concern regarding the scope of NTC application. NESO's primary objective in applying NTC's is to maintain System security. An inherent risk is accepted when trading that a restriction may be required to ensure system security. As described in the Compensation Methodology, NESO will countertrade in order to move the scheduled flow below the level of any required NTC restriction. Restrictions to Already Allocated Capacity would only be applied as a last resort where alternative actions are not sufficient.		
	Non-confidential	BritNed	2) Inadequate Compensation Methodology – noting compensation doesn't adequately reflect impacts on users and the market: – Not cost neutral in all scenarios – Insufficient compensation may reduce market participation and possible longer term impacts on customer confidence in auctions – Assumes static bidding behaviour in relation to varying volumes of available capacity which contradicts the respondent's internal analysis where bidders do factor NTC into strategies (meaning the unrestricted marginal price is not a fair price reference)	NESO notes the respondent's concerns regarding cost neutrality, the adequacy of compensation, and the impact of NTC restrictions on bidding behaviour. The methodology compensates at, or via closest proxy to, market value for the capacity restricted using quantifiable value models and referencing where interconnector's Access Rules also apply. The purpose of compensating for restrictions is to maintain the long-term confidence and efficacy of interconnector capacity management. If this does not compensate interconnector users adequately then Access Rules can also be examined and changed accordingly. NESO acknowledges that NTC restrictions may influence participant bidding behaviour and that market participants may respond differently to changes in available capacity. The current Compensation Methodology seeks to account for these impacts as fairly as possible using the available evidence. Any relevant data that can support further assessment of these impacts would be welcomed and considered as part of future reviews.		
	Non-confidential	NGV	The respondent notes that cost neutrality for all parties is not ensured by the Compensation Methodology and Commercial Principles. Specifically, allocated capacity restricted ahead of DA Firmness Deadline and unallocated capacity after the DA Firmness Deadline. (Long-term) Allocated capacity restricted ahead of DA FD feeding into ID auctions: ISSUE 1: – The respondent feels that NTCs should not be applied to allocated capacity ahead of the FD due to difficulty in determining fair compensation. – The respondent feels that this scenario should not be compensated via the Access Rules as it does not consider actual costs lost. – Interconnector users will experience varying costs from such restrictions, e.g. those that nominated physical positions reflecting their long-term capacity will have to trade out of the market at prevailing prices. Those without a physical position may have gains/losses from reselling in the next available auction. – Curtailment rules in Access Rules give a blanket pro-rata restriction to all capacity-holding users so limits NTC application for individual users and prevents a tailored approach to compensation. – The respondent's recommendation is to not curtail users should a DA NTC be applied, and instead use DA NTC to change flows as per ID restrictions on allocated capacity, despite the interconnector being in an imbalance position (and compensate at net imbalance cost as per ID arrangements).	NESO understands this point refers to allocated long-term capacity that is restricted ahead of the Day-Ahead Firmness Deadline and feeding into Day-Ahead auctions. In this scenario, the Access Rules already include an established process for compensating users, which is why the proposed Compensation methodology refers to those arrangements. It also allows the individual interconnector owner to determine the most appropriate course of action for applying the NTC. On that basis, NESO does not consider it necessary or appropriate to compensate through imbalance charges in this time frame as no imbalance has yet occurred.		
	Non-confidential	NGV	(Long-term) Allocated capacity restricted ahead of DA FD feeding into ID auctions: ISSUE 2: – Longer term impact of restricting allocated capacity (other than rare use by interconnectors operators for unplanned outages). More frequent, unpredictable use of this restriction would make the value (and risk) of that capacity harder for users to assess, when the respondent sees the compensation rate as not cost reflective.	NESO understands this point refers to compensation for allocated capacity restrictions feeding into Day Ahead (DA) auctions. NESO assess compensation method for such scenarios to be just, so Access Rules can be updated to reflect the compensation rate if better alignment is needed.		
	Non-confidential	NGV	Unallocated capacity restricted after DA FD and feeding into ID auctions (details within the response): – Bidding behaviour – The respondent does not agree with the Methodology using values representing clearing prices if NTCs had not been applied, mimicking that market spreads change dependent on available capacity. The respondent does not believe the bidding curves from an explicit auction are representative to provide these values accurately. The respondent notes that bidding behaviours cannot be assumed to remain the same if different capacity is available. The respondent suggests that, based on their data, there is a high correlation between auction price and loss-adjusted market spread (averaging 95%) and a low correlation between auction price and volume sold. Auction participation was seen to be high in value and non-value directions (x3-x5 offered volume is common), with some uncompetitive bids in the non-value direction posing little relevance to volumes.	NESO acknowledges that NTC restrictions may influence participant bidding behaviour and that market participants may respond differently to changes in available capacity. The proposed Compensation Methodology seeks to account for this impact in a balanced and proportionate way. We would welcome any relevant data that NGV is able to share to support further consideration of this point. In relation to the stated correlation between clearing price and market spread, we would welcome clarification on which market spread the respondent is referring to, particularly in the intraday timeframe where there is no single definitive spread.		
	Non-confidential	NGV	Unallocated capacity restricted after DA FD and feeding into ID auctions (details within the response): – Reference price – The respondent proposes that compensation reflects market spread and use of actual clearing price as a proxy for market spread if an appropriate published reference price is not available.	NESO welcomes further clarity on the reference price intended in this context. Intraday spreads are inherently dynamic and can be highly sensitive to traded volumes, which may limit the reliability of any single price point. In particular, it is not yet clear that intraday auction clearing prices would provide a sufficiently robust or representative proxy for market spread for compensation purposes.		

	Non-confidential	NGV	<p>Unallocated capacity restricted after DA FD and feeding into ID auctions (details within the response):</p> <ul style="list-style-type: none"> - Longer term impacts - Even a market spread-linked compensation does not consider longer term impacts of NTC restrictions. High frequency of NTCs will reduce or remove market capacity for interconnector users, reducing liquidity and discouraging participation when capacity is available. This may impact interconnector revenues outside of NTC use periods and erode welfare benefits of interconnectors via inefficient trade. - The respondent notes that the Compensation Methodology does not account, or compensate, for this risk. - The respondent suggests a more market-based approach for allocated capacity restriction could deal with this risk better (referencing the NTC market explored in the NESO Innovation Project) 	<p>NESO recognises the concern raised regarding the potential longer-term impacts of frequent NTC restrictions, including possible effects on market liquidity, participant confidence, interconnector revenues and the wider welfare benefits delivered through efficient cross-border trade. However, while such impacts may be inferred, NESO does not consider that they can currently be quantified with sufficient accuracy or robustness to support inclusion within the compensation calculation, particularly given the need to manage costs borne by the GB consumer.</p> <p>NESO has sought to identify credible market-based approaches that could reduce reliance on non-market interventions, including through commissioning external analysis and inviting feedback from industry participants via the Joint European Stakeholder Group. While this engagement has not yet identified a sufficiently developed alternative approach, NESO welcomes further evidence, data and practical proposals from stakeholders to help inform any future development of the Compensation Methodology.</p>		
	Non-confidential	NGV	<p>The respondent suggests the following to better achieve cost neutrality (details within the response):</p> <ul style="list-style-type: none"> - All allocated capacity compensation to use the net imbalance charge and no curtailment of customers. - All unallocated capacity compensation to use the relevant loss adjusted market spread price. - The respondent suggests redrafted versions of Table 1 and Table 2 in the Compensation Methodology with headings changed to 'Timing of NTC and type of capacity affected' to reflect the points above 	<p>NESO recognises the concern raised regarding the potential longer-term impacts of frequent NTC restrictions, including possible effects on market liquidity, participant confidence, interconnector revenues and the wider welfare benefits delivered through efficient cross-border trade. However, while such impacts may be inferred, NESO does not consider that they can currently be quantified with sufficient accuracy or robustness to support inclusion within the compensation calculation, particularly given the need to manage costs borne by the GB consumer.</p> <p>NESO has sought to identify credible market-based approaches that could reduce reliance on non-market interventions, including through commissioning external analysis and inviting feedback from industry participants via the Joint European Stakeholder Group. While this engagement has not yet identified a sufficiently developed alternative approach, NESO welcomes further evidence, data and practical proposals from stakeholders to help inform any future development of the Compensation Methodology.</p>		
Question 3 - In the view of your organisation, does the proposed version of the NTC Commercial Compensation Methodology promote transparency in the compensation process to the wider industry?	Non-confidential	BritNed	<p>No.</p> <p>Received in Q1 response:</p> <p>Does not feel that NESO's requirement to provide transparency around NTC use/methodologies has been adequately fulfilled.</p> <p>Outlines that greater clarity is essential to stakeholder confidence and co-ordination between interconnectors and TSOs.</p> <p>Concern raised about a lack of transparency and governance</p> <ul style="list-style-type: none"> - Express that the Compensation Methodology no longer positions NTCs as a tool of last resort with uncertainty on how frequently/under what conditions NTCs are applied - Relationship between volume calculations and compensation is not clear - Need for stronger governance and transparency - No formal reporting framework for interconnectors to challenge NTC application 	<p>NESO notes the respondent's comments concerning transparency, governance and the application of NTC arrangements and has addressed the points raised below</p> <ul style="list-style-type: none"> -Regarding transparency - NESO strives to provide the appropriate level of transparency while protecting system security and commercial sensitivities. Noting comments on this theme, NESO will explore how it shares its processes and information on this topic with industry via a separate workstream to inform and reassure industry. - Regarding being a tool of 'last resort' - the purpose of the Compensation Methodology is to demonstrate post-action compensation. The NTC Calculation Policy outlines the decision process and criteria for NTC application and the Order of Actions demonstrates the steps prior to NTC's being applied. - Regarding relationship between volume calculation and compensation - Additional clarification has been sought from the respondent on this point but based on the expected timing of the response it will not be addressed in this round of changes. The clarification from the respondent will be shared with Ofgem when received and taken for further consideration by NESO. - Regarding governance - NESO acknowledges this feedback on governance and will consider this feedback as part of ongoing review of the NTC framework and any future engagement on that NTC Calculation Policy. - Regarding challenges to NTC application - NTCs are applied for matters of system security and as such are not open for challenge pre-implementation. The Compensation Methodology does outline the routes to raise disputes relating to post-action settlement via the BASA or SOA dispute terms. Concerns can be raised via the regular engagement routes between NESO and interconnectors (such as IOP meetings), however the level of information NESO can disclose is limited for reasons of system security and commercial sensitivities. 		
	Non-confidential	NGV	<p>No.</p> <p>The respondent notes two key recommendations:</p> <p>1) Ex-ante governance - linking the Compensation Methodology and NTC Calculation Policy with the same governance process and regular reviews for stakeholder and industry input.</p>	<p>NESO notes the respondent's feedback regarding transparency, governance and stakeholder engagement.</p> <p>NESO recognises the importance of ensuring stakeholders have appropriate opportunities to understand and engage with the policy. NESO will consider will consider options to enhance transparency, governance and stakeholder engagement as part of our ongoing review of the NTC Calculation Policy and any future engagement on the policy.</p>		
	Non-confidential	NGV	<p>2) Ex-post review - the respondent suggests publicly accessible regular reporting on NTC use and compensation, with the opportunity for challenge for additional transparency.</p> <p>It is noted that NESO does not publish to the wider industry when and why NTC restrictions are placed, and compensation for them (noting NESO's Balancing Services performance monitoring report for other balancing services)</p>	<p>NESO recognises the importance of ensuring stakeholders have appropriate opportunities to understand and engage with the policy. NESO will consider will consider options to enhance transparency, governance and stakeholder engagement as part of our ongoing review of the NTC Calculation Policy and any future engagement on the policy.</p> <p>NESO publishes a reason label to each NTC on the NESO Data Portal ('constraint', 'largest loss', 'margin') to provide the reason for securing the system but not breaching security or commercial sensitivities. The Compensation Methodology does link directly to the NTC Calculation Policy document and NESO will make the availability of the Calculation Policy document more accessible on the NESO website.</p>		
Question 4 - Are there elements of the NTC Commercial Compensation Methodology that your organisation would suggest changes to?	Non-confidential	BritNed	<p>Yes.</p> <p>Received in Q1 response:</p> <ul style="list-style-type: none"> - Notes that differences in DA/ID NTCs requires further assessment to ensure consistency with market design principles <p>Clarification question was asked to BritNed to elaborate any specifics of the market design principles requiring particular consideration for assessing application and impact of NTC between Day Ahead and IntraDay?</p> <p>Clarification Response:</p> <p>Under current and proposed European rules (ie. CACM and ENTSO-E guidance) any NTC limits should only apply to unallocated capacity</p> <p>The proposed approach weakens this rule by allowing already sold capacity to be reduced. This risks not matching European rules or expectations.</p> <p>NESO should also consider cross-border impacts. Changing how limits work could affect European markets. This matters if the UK rejoins the IEM, as misalignment could cause inefficiencies and make future integration harder.</p>	<p>This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p> <p>NESO recognises the comparison and reference to EU regulations, this review is focussed on current operations and GB system security. However, we recognise the value of coordination and will continue to consider areas of divergence carefully. If the UK's negotiations with the EU on IEM re-entry are successful we will engage with stakeholders on any further alignments and impacts.</p>		
	Non-confidential	BritNed	<p>Received in Q1 response:</p> <ul style="list-style-type: none"> - Notes further review of NTC application during planned/unplanned outages 	<p>NESO notes the respondent's feedback. This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p>		
	Non-confidential	BritNed	<p>Suggested changes to align the Compensation Methodology with cost reflectivity and proportionality, reduce market distortion, improve stakeholder confidence and coordination, plus to support participation of users in capacity auctions:</p> <p>1) Allocated capacity should not be curtailed to avoid interfering with the market and undermining confidence.</p>	<p>NESO notes the respondent's feedback. This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p>		
	Non-confidential	BritNed	<p>2) Market-reflective compensation on unallocated capacity based on market spread price for the relevant timeframe (better reflecting economic value and avoiding under-compensation)</p>	<p>NESO agrees that a market-reflective approach to compensation is appropriate for the day-ahead timeframe, and this is reflected in the Compensation Methodology. However, NESO does not currently consider the same approach to be readily applicable in the intraday timeframe, as there is no single reference price against which compensation could be consistently determined, given the continuously evolving nature of intraday market prices.</p>		
	Non-confidential	BritNed	<p>3) NTC volume calculation and compensation methodologies subject to consistent governance, aligning arrangements for consistency and stakeholder confidence</p>	<p>NESO notes the respondent's comments regarding governance and stakeholder engagement.</p> <p>NESO recognises the importance of ensuring stakeholders have appropriate opportunities to understand and engage with the policy. NESO will consider will consider options to enhance transparency, governance and stakeholder engagement as part of our ongoing review of the NTC Calculation Policy and any future engagement on the policy.</p>		
	Non-confidential	BritNed	<p>4) Enhanced transparency and reporting, suggesting frequency, duration, volume and justifications for NTCs be accessible to stakeholders (for oversight and assessment of operational and commercial impacts)</p>	<p>This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p> <p>NESO notes the respondents feedback.</p> <p>Data published through the NESO Data Portal provides information on the frequency, duration, volume and justification for NTC restrictions, including whether a restriction relates to the largest system loss, margin extremes or network constraints. The level of information published seeks to balance transparency with the need to protect operationally and commercially sensitive information.</p>		
	Non-confidential	NGV	<p>Yes. Comments noted in response to other questions.</p>	<p>NESO notes the respondent's feedback.</p>		

Question 5 - Are there any other comments you would like to share relating to the proposed updates to the NTC Commercial Compensation Methodology?	Non-confidential	BritNed	Yes. Received in Q1 response: - Notes that NTCs may exacerbate capacity constraints proposed by European TSOs	This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course.		
	Non-confidential	BritNed	Received in Q1 response: Expressed concern for transition from ITL to NTC and application of NTC in ID and DA timeframes (consistency, proportionality or transparency not sufficiently demonstrated yet).	This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course NESO notes the respondent's feedback. NESO have had several discussions with those interconnectors still on ITLs about the transition to NTC and their concerns. It is the intention that all interconnectors should transition to NTC as soon as possible in order for NESO to apply consistent capacity restrictions and compensation. We continue to be open to further discussions regarding ITL transition to NTC.		
	Non-confidential	BritNed	Received in Q1 response: - BritNed is committed to working with NESO to ensure operational security is effective, proportionate and transparent while supporting cross-border trade and system resilience.	NESO acknowledges the respondent's feedback and welcome ongoing stakeholder input on this topic.		
	Non-confidential	BritNed	Received in Q1 response: - The respondent would welcome engagement with TenneT and other European TSOs on balancing operational security with market integrity and minimising adverse impacts - including impacts of countertrading on neighbouring TSOs.	This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course. NESO notes the respondent's feedback. NESO is in regular contact with European TSOs to ensure system security. NESO shared information with industry at the Operational Transparency Forum (20 May 2026 and 3 June 2026) on the recent TSO discussions on countertrading limits and subsequently shared responses to questions received. NESO will continue to share necessary information at such forums where questions can also be submitted for a NESO response.		
	Non-confidential	NGV	Yes. The respondent raised the following five requests for clarification (further request made for CM.29 below): 1) What procedure is used for Calculation Method 4b (OMW auctions) to challenge the use of historical data if the interconnector does not view this to be a fair/true reflection of the expected price.	NESO notes the respondent's feedback. Any dispute which arises in relation to the settlement of NTC payments will follow the relevant dispute and settlement process as defined in the interconnectors SOA/BASA.		
	Non-confidential	NGV	2) Clarification of the definition of Allocated capacity as capacity nominated ahead of deadline can be both allocated and nominated until the nomination deadline	NESO notes the respondent's feedback.. Whereas previous versions of the Compensation Methodology differentiated between long term allocated and nominated and allocated but not-nominated, on previous advice from interconnector parties this was removed and now it only refers to allocated, regardless of whether nominated or not.		
	Non-confidential	NGV	3) Clarification of term 'S[GB]' in Calculation Method 3 (the respondent finds it ambiguous)	NESO notes the respondent's feedback. Where the term "GB" is used, it is intended as a generic reference to the Great Britain power market, rather than the United Kingdom, as Northern Ireland forms part of the I-SEM market.		
	Non-confidential	NGV	4) Suggestion of a definition of 'Wholesale Price' as it is capitalised but not defined	NESO understands this feedback to relate to the settlement calculation provisions feedback In that context, the relevant wholesale price is specified as the price from the applicable coupled auction, namely Nord Pool or EPEX, depending on the relevant market coupling arrangement.		
	Non-confidential	NGV	5) Consultation on any further changes on the Compensation Methodology, ensuring stakeholder and industry input, with a clear process agreed by stakeholders and industry	NESO notes the respondent's feedback. NESO recognises the importance of effective stakeholder engagement and would seek to ensure that future reviews of the Compensation Methodology include appropriate opportunities for stakeholder participation and feedback.		
Response received outside of the proforma format	Confidential/Non-confidential	Stakeholder	Stakeholder response	NESO response	Feedback resulted in change to proposed Methodology (Y/N)	Page number for any consequential change from the feedback (tracked change version)
	Non-confidential	Joint response (BritNed, ElecLink, NGV, Nemo Link)	Respondents believe that proposed changes to the Compensation Methodology could have gone further to meet the proposed principles and reiterate historic and ongoing concerns on ITL/NTC application: 1) Frequency of use: Concerns that the frequency of restrictions does not adhere to the principles of use, with Ofgem's derogation in 2023 expecting reduced use of non-market-based tools. Industry engagement is encouraged for developing alternative, market-based solutions. Respondents request that NESO demonstrate the use of NTCs as only a tool of last resort where no market-based alternatives are available.	This response is out of scope for the Compensation Methodology directly - NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course NESO complies with the use of NTC as a last resort as noted in the 2023 Ofgem derogation. This is reflected in NESO's Order of Actions document which illustrates the decision-making outlined in the NTC Calculation Policy. For development of alternative, market-based solutions, NESO did encourage stakeholder feedback on the recent Innovation project looking at NTC market viability. While responses were limited at that time, there has been expression of interest (including via this consultation) for involvement with further explorations. While the innovation report did not find an NTC market to be feasible in the short-term, NESO welcomes suggestions for routes for development with stakeholders. NESO will share with industry its response and position on the feasibility of a NTC market in due course.		
	Non-confidential	Joint response (BritNed, ElecLink, NGV, Nemo Link)	2) Increased transparency on ITL/NTC application: Respondents request greater transparency on the end-to-end NTC process, noting that the limited information provided for reason for restrictions (network constraints, system security, margin extremes). Respondents believe more engagement with industry is needed.	NESO aims to be as transparent as possible within the limits of operational processes and confidentiality, and we welcome suggestions on what further information industry would find helpful. NESO acknowledge the feedback that greater transparency around ITL/NTC would support industry understanding. While this sits outside the scope of the Compensation Methodology, we will consider this feedback as part of our wider review of NTC transparency and future industry engagement.		
	Non-confidential	Joint response (BritNed, ElecLink, NGV, Nemo Link)	3) Compensation to fairly recreate market value Respondents request improvements to the Methodology to ensure that there is cost neutrality in compensating for restrictions to ensure principles of Ofgem's derogation decision is adhered to.	NESO notes that several respondents have raised this concerns relating to ID unallocated capacity auctions method which uses the 'un-restricted' marginal price to calculate the net difference in revenue for compensation. Respondents have expressed the view that this does not fairly compensate the value of this 'lost' capacity as it does not reflect the change in bidding behaviour to the change in available capacity. NESO has acknowledged these comments and invited respondents to provide supporting evidence to better inform consideration of participant bidding behaviour and how it may be affected by NTC restrictions.		

	Non-confidential	Joint response (BritNed, ElecLink, NGV, Nemo Link)	4) Respondents welcome discussions on how the application of ITL and NTC can be improved and options explored for market-based alternative options.	<p>This response is out of scope for the Compensation Methodology directly – NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p> <p>NESO have strived to find viable options to pursue for market-based approaches to reduce the need for non-market-based interventions. This has included the commissioning of consultants to explore an independent view of possible routes and inviting feedback on this from industry participants via the Joint European Stakeholder Group. Although this engagement with industry did not produce details of other substantive options, NESO are welcoming of suggestions to explore any feasible options and collaboration with interested parties.</p>		
	Non-confidential	ElecLink	<p>The respondent recognises the challenging role NESO has to operate the GB system but has raised several concerns on NTC restrictions:</p> <p>1) frequency of application as a tool of last resort</p> <p>2) compensation not resulting in cost neutrality as per Ofgem's derogation</p> <p>3) transparency of NTC calculation and application</p> <p>4) errors and delays in the reconciliation process</p> <p>NTC restriction continues to be a significant issue for the respondent.</p>	<p>NESO notes the respondent's feedback.</p> <p>We have addresses the points raised where you have set these out in more detail in further responses.</p>		
	Non-confidential	ElecLink	<p>Reconciliation process:</p> <p>Historic errors in monthly reconciliations have been largely resolved in the last couple of months and the respondent notes the proposed change to use median values in the Compensation Methodology [Method 4b- unallocated explicit capacity]</p>	<p>NESO welcomes the bilateral cooperation to reach resolutions on such issues</p>		
	Non-confidential	ElecLink	<p>A historic issue the respondent notes is unanswered: frequency of NTC use</p> <p>The respondent notes restrictions on their asset 40% of days it has been available since October 2022- apparently incompatible with use as a 'last resort' action</p> <p>As restrictions often apply in both directions, the respondent notes the significant impact on the capacity they can sell ID.</p> <p>The respondent believes frequency of use warrants priority development of alternative tools and services in cooperation with interconnectors and connected TSOs.</p>	<p>This response is out of scope for the Compensation Methodology directly – NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p> <p>NESO's data for ElecLink over 2024 shows 17.4% hours restricted for export and 11.7% hours restricted for import, and in 2025, 23.2% hours restricted for export in 2025 and 2.1% hours restricted for import. The restrictions will be of varying magnitude (some low, some high based on the situation).</p> <p>While the frequency of restrictions may be higher than industry's expectations, NESO does operate by the principle of NTC use when necessary if other methods will be insufficient to avoid more serious actions being required closer to real-time. Over 99% of the restrictions needed on ElecLink are due to constraint scenarios, which will require the necessary actions on appropriate interconnectors if a localised resolution is needed (e.g. South-East of England). Restrictions are applied to other interconnectors too.</p> <p>In terms of other options, we have seen fewer SO-SO trade services agreed over interconnectors since Brexit. NESO always welcomes discussions on interconnector services that could be developed in order to aid system security. NESO also has major workstreams working on mitigating the scenarios that lead to restrictions e.g. the Constraints Collaboration Project.</p>		
	Non-confidential	ElecLink	<p>A historic issue the respondent notes is unanswered: disagreeing with the Compensation Methodology</p> <p>Internal analysis from the respondent shows that they are not kept 'financially whole' due to:</p> <p>1) Not appropriately differentiating between time horizons</p> <p>2) Not considering market participant behaviour at different time horizons</p> <p>3) Overstating scarcity value creation</p> <p>The respondent believes the Methodology should be fundamentally simplified which will alleviate some issues.</p>	<p>NESO notes the respondent's feedback and has addresses points raised below;</p> <p>1. NESO believes that the Compensation Methodology does differentiate between time horizons as is evident in the table summarising the different calculations, namely which is different for Day-Ahead capacity auctions and intraday capacity auctions. At DA it references the interconnectors own access rules and the market spread for allocated and un-allocated capacity respectively. Whereas for ID it instead references either the net imbalance charges or the capacity auction directly, thus reflecting the material differences between DA & ID capacity values, remuneration rules and cash out.</p> <p>2. Following from the above point, NESO can further state that ID capacity values cannot easily be linked to a single reference price as there is no such thing at the ID timeframe, hence the different approach to determining a fair value of the lost capacity.</p> <p>3. As NESO has previously stated we recognise the fact that any NTC restriction (and therefore reduction in capacity released) will affect the auction clearing price. The current Compensation Methodology tries to fairly account for this. NESO acknowledges the additional data provided by the participant on this subject and will review this as part of its ongoing consideration of this topic.</p>		
	Non-confidential	ElecLink	<p>A historic issue the respondent notes is unanswered: lack of clarity regarding NTC restrictions</p> <p>Rationale for restriction given broad classifications as 'network constraint', 'system security' or 'margin extreme'. The respondent notes that greater transparency is needed for the restraints cause and clarity on how level and duration of restriction is determined.</p> <p>Transparency is needed to demonstrate application in accordance with the Authority derogation. The respondent would welcome more engagement between interconnectors and NESO on an improved NTC/ITL process for system security and financial compensation, and exploring market-based alternatives.</p>	<p>This response is out of scope for the Compensation Methodology directly – NESO will consider this as part of a separate review of NTC Calculation Policy, transparency and engagement re: NTC use in due course</p> <p>NESO acknowledges the respondent's view and request for more granular information. The reason label given to a restriction (Network Constraint/Margin Extreme/System Security) is at a level to protect the operationally and commercially sensitive data that NESO is obliged to prevent risks to the system and markets.</p> <p>NESO is continuing to assess where information-sharing can be improved and communicated effectively with industry.</p>		
Change IDs for specific proposed changes in the Methodology:	Confidential/Non-confidential	Stakeholder	Stakeholder response	NESO response	Feedback resulted in change to proposed Methodology (Y/N)	Page number for any consequential change from the feedback (tracked change version)
CM.29 – Currency:Expanded wording on application of the exchange rate and information on invoices deleted (covered in the 'invoicing process' section)	Non-confidential	NGV	The respondent requests further clarity on this section, with examples of situations where the exchange rate is applicable, as payment currency is currently unclear,	<p>NESO notes the respondent's feedback.</p> <p>This is relevant for Calculation method 2 only: Unallocated Capacity restricted implicit auction will apply the exchange rate to convert GBP pricing in Options 1 & 2 to Eur. The monthly exchange rate will be sourced from https://www.trade-tariff.service.gov.uk/exchange_rates, where the relevant settlement month csv will be downloaded and the Currency unit applied to the settlement spreadsheet to be included in the formula as specified in the Compensation Methodology.</p>	Y	17
Points in reference to responses in Table 2 of the consultation overview:		Stakeholder	Stakeholder response (non-confidential)	NESO response	Feedback resulted in change to proposed Methodology (Y/N)	Page number for any consequential change from the feedback (tracked change version)
CM.55 – NESO's response to the suggestion to use actual auction clearing price vs unrestricted marginal price for ID unallocated restrictions on the grounds of bidding behaviour	Non-confidential	NGV	For the reasons set out in the respondent's response to Q2, specifically for points on unallocated capacity restricted after DA FD, the respondent continues to disagree with NESO's view that the current proposal is deemed the closest NESO can realistically calculate.	<p>NESO acknowledges the respondent's feedback.</p> <p>Several respondents have proposed the use of an Intraday market spread; however, NESO considers this approach not to be practicable due to the absence of a single reference price. Intraday prices are continuously evolving up to gate closure across both markets, making it difficult to establish a single consistent and verifiable market spread.</p> <p>NESO invites data from the respondents to better inform the discussion on understanding and reflecting participant bidding behaviour and how this is affected by NTC restrictions.</p>		
CM.56 – NESO's response to the view that compensation does not cover losses sufficiently if DA trading on explicitly allocated capacity as users trade out at prevailing market prices versus originally secured prices	Non-confidential	NGV	The respondent continues to disagree that Table 1 (1- allocated capacity restricted after DA FD) sufficiently compensates interconnector users, for the reasons set out in their response to Q2	<p>NESO acknowledges the respondent's feedback.</p> <p>Several respondents have proposed the use of an Intraday market spread; however, NESO considers this approach not to be practicable due to the absence of a single reference price. Intraday prices are continuously evolving up to gate closure across both markets, making it difficult to establish a single consistent and verifiable market spread.</p> <p>NESO invites data from the respondents to better inform the discussion on understanding and reflecting participant bidding behaviour and how this is affected by NTC restrictions.</p>		