Electricity Markets Advisory Council

4 June 2026

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Agenda

Item	Lead	Time
Informal lunch and networking (optional)		12:00 – 13:00
Introductions and scene setting		
Welcome	Rebecca Beresford (NESO), Lizzie Blaxland (NESO), Monica Collings (Chair)	13:00 – 13:10
Playback of bilateral conversations and initial observations	Monica Collings (Chair)	13:10 – 13:40
General updates		
NESO's interconnector trading restrictions	Cross-Border Strategy (NESO)	13:40 – 13:50
Break		13:50 – 14:10
For discussion		
GB system investment and cost of capital levers to optimise	Anthony Belcher (NESO)	14:10 – 14:40
Gas Markets Roadmap	Martin Shannon (NESO)	14:40 – 15:20
Future EMAC topics	Monica Collings (Chair)	15:20 – 15:40
Close and next steps		15:40 – 15:45

Playback of bilateral conversations and initial observations

Monica Collings (Chair)

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NESO's interconnector trading restrictions

Magda Morenes (NESO)
Carlos Vallejo(NESO)

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EU – NESO Trading Limits

Market Notice detailing EU-NESO Trading restrictions

Restriction:

- Maximum of 300MW trade on an Interconnector if trading in *opposite* direction to the Day Ahead schedule (each Interconnector assessed independently)
- No restriction if trading in *same* direction as Day Ahead schedule
- AND, total of 1500MW across all affected Interconnectors
- Each hour assessed separately

Interconnector	Country	TSO
IFA, IFA2, ElecLink	France	RTE
Viking Link	Denmark	Energinet
BritNed	Netherlands	TenneT
Nemo Link	Belgium	Elia

Key Points:

- Restriction is **only** on NESO trading activity, **not** market participants
- Short-term measure in place until the end of the year when a longer-term solution is planned
- NESO does not have concerns over electricity system security
- NESO can request additional volume above the limits if required for system security

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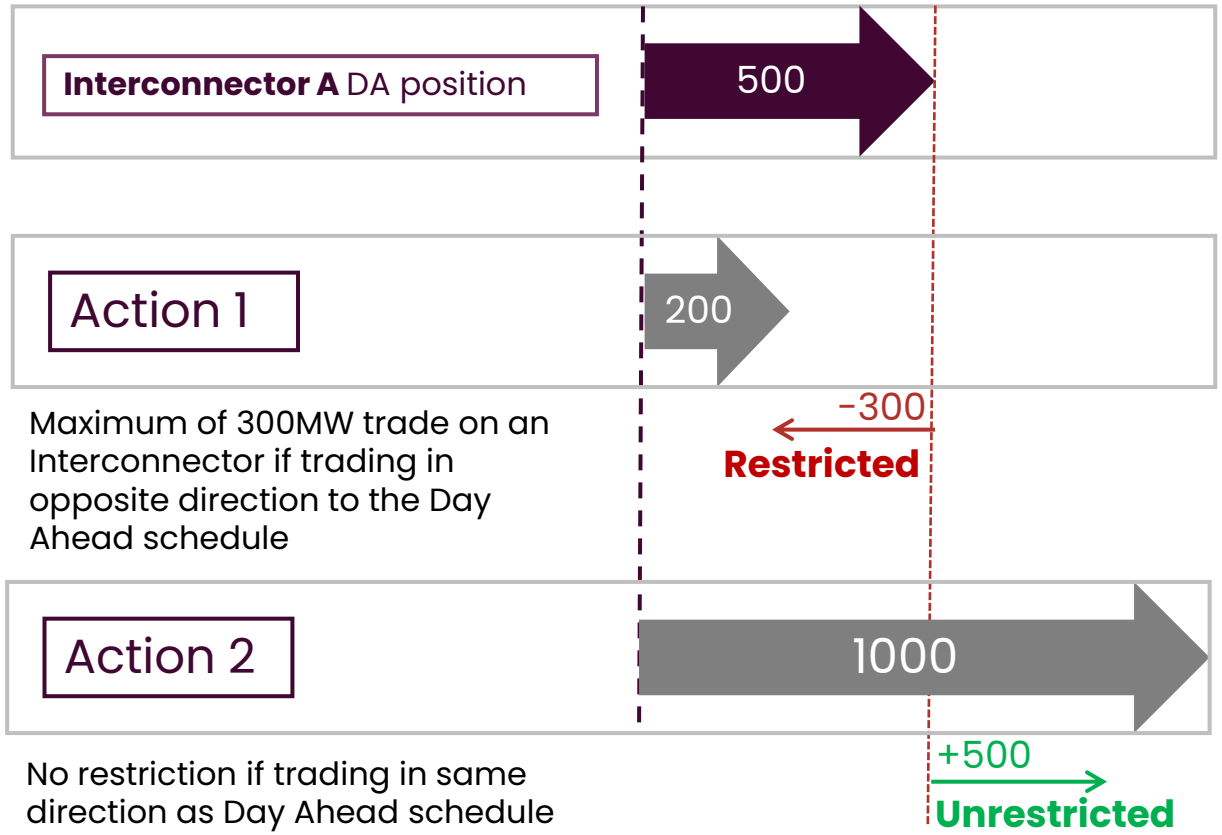
EU – NESO Trading Limits

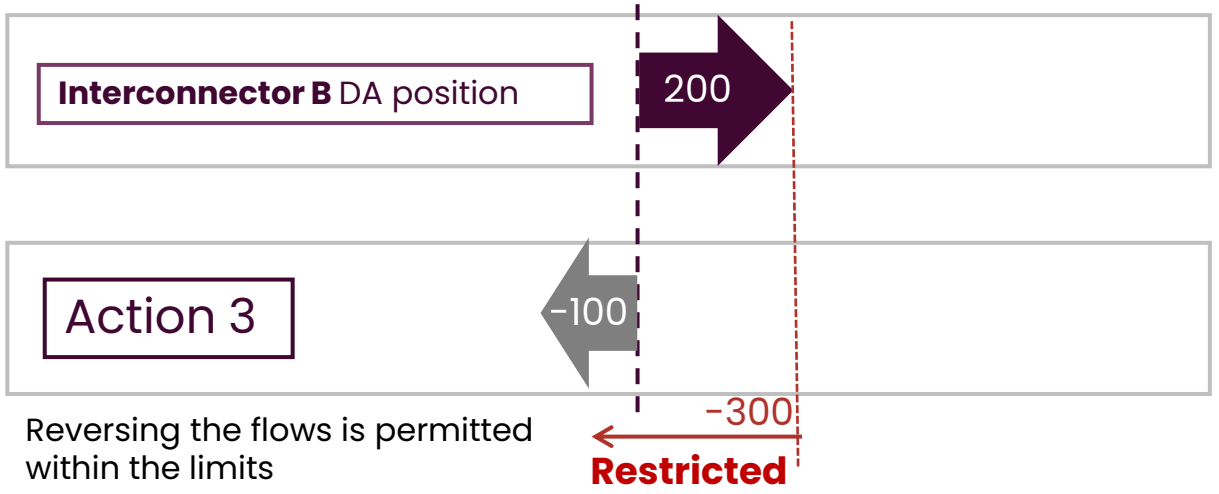
Example 1



Maximum of 300MW trade on an Interconnector if trading in opposite direction to the Day Ahead schedule

No restriction if trading in same direction as Day Ahead schedule

Example 2



Reversing the flows is permitted within the limits

Maximum of 1500MW across all affected Interconnectors

For all the restricted actions

GB system investment and cost of capital levers to optimise

Anthony Belcher (NESO)

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Reducing risk premia– lever of change

What do we want to achieve?

Aims for the session:

- NESO to understand how different risks drive Cost of Capital
- Promote discussion and engagement
- Provide foundation for further engagement and work on this topic

- What are the main factors that make up risk premia?
- Can we quantify them?
- Which can NESO influence?
- How can this drive lower energy costs for consumers?

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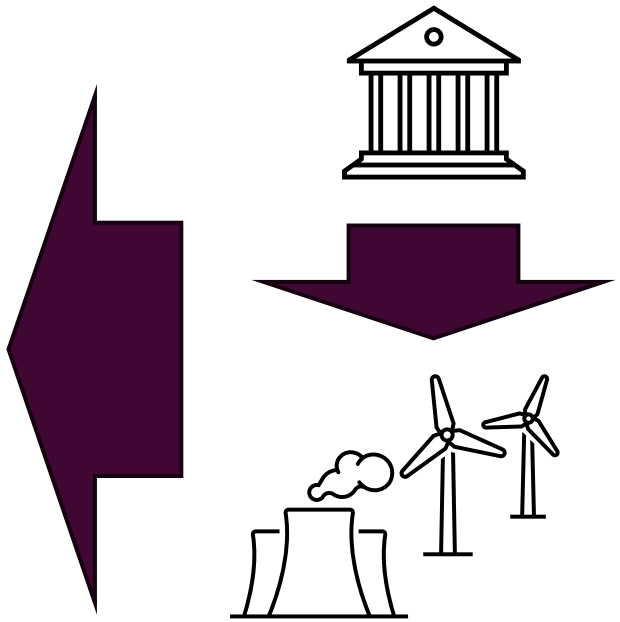
Driving investment

UK energy goals will only be met through the continued deployment of capital by investors

£15bn by 2030 – Gas transmission and distribution networks

£80bn (£9bn before 2030) – electricity transmission network

£30bn per year in electricity generation assets



Energy policy

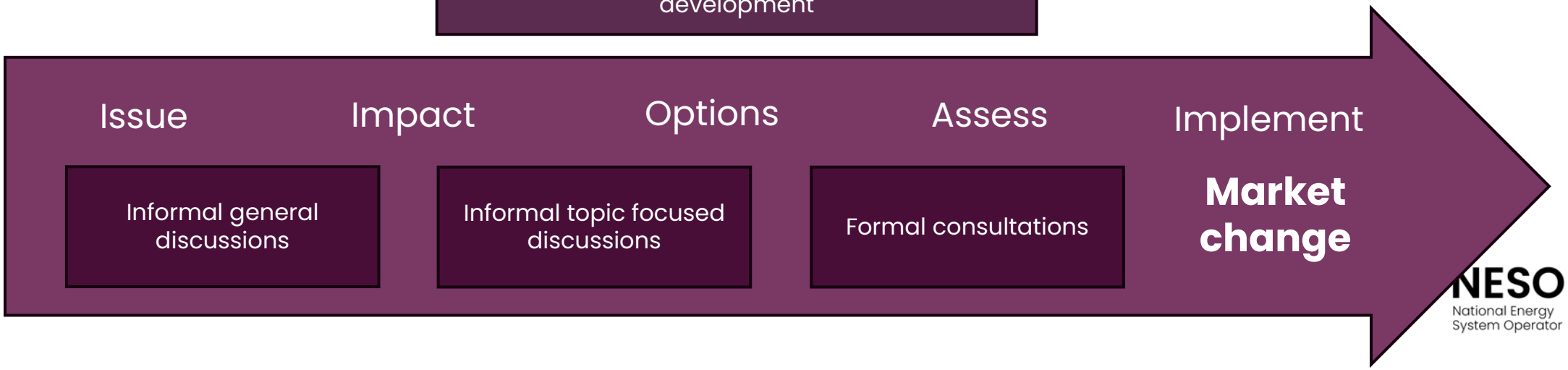
Rate environment

International environment

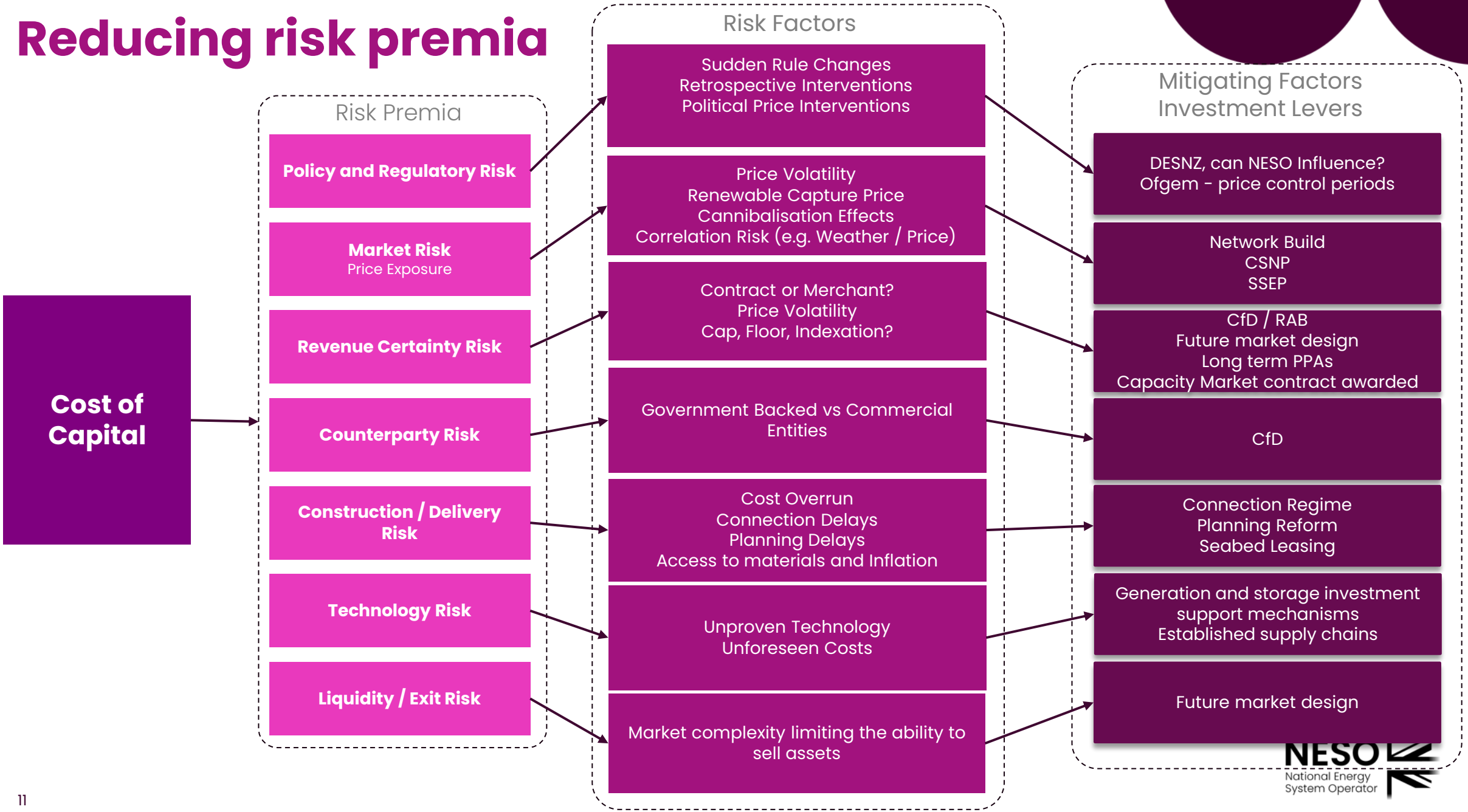
Market structure

Energy plans

Investor engagement



Reducing risk premia



Reducing risk premia– lever of change

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Gas Markets Roadmap

Martin Shannon (NESO)

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EMAC pre-read: Gas Market Roadmap

Purpose of the discussion and the role of EMAC

- NESO is delivering its first Future Market Plan for gas through the Gas Market Roadmap under Licence Condition C7.
- Detailed Roadmap framing and gas market arrangements are being progressed through Gas Advisory Council (GAC), DESNZ, Ofgem and National Gas engagement.
- EMAC is not being asked to provide a formal line-by-line review of the Roadmap.
- The aim is to draw out the electricity-market read-across: reform, flexibility, security of supply, consumer value and cross-vector implications.
- Publication date is 31st July 2026 aligned with the publication of NESO Future Energy Scenarios ten-year forecast

EMAC role in this discussion

- Provide an electricity-market perspective
- Identify cross-vector dependencies
- Highlight where gas evidence may support wider market reform

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What the GMR covers — and what it does not

A concise first publication focused on future gas market arrangements

Gas market arrangements

Rules, incentives and commercial frameworks governing how gas is supplied, traded, transported, balanced and paid for.

NESO boundary

The GMR identifies market questions, evidence gaps and coordination needs; it does not set policy, prescribe delivery or decide network futures.

Early baseline

The first GMR draws on wider evidence and highlights selected dependencies; future work will continue to shape areas for further work and future Roadmap cycles.

1. The GMR is intended to be additive to existing activity, not duplicative.
2. It sits alongside wider NESO gas and whole-system evidence, including GSSA, FES, the FES Ten-Year Forecast, SSEP and RESPs.
3. Relevant actions may sit with DESNZ, Ofgem, National Gas, industry or NESO depending on responsibilities.

Question 1 Is the GMR boundary clear enough from an EMAC perspective, particularly between market evidence, policy decisions and delivery ownership?

Three central challenges: EMAC read-across

Where gas market change can affect electricity reform, resilience and consumer value

Gas Market Transition

Declining demand and changing network use may affect cost recovery, affordability, investment signals and whole-system value.

Market Resilience

Changing supply patterns, import dependence, liquidity, balancing and operational flexibility may affect electricity security and market confidence.

Emerging Markets

Biomethane, hydrogen, CCUS and certificates create new interfaces with electricity reform, clean flexibility and cross-vector market design.

Question 2: Which gas-market dependencies should EMAC most focus on for electricity reform, resilience, flexibility and consumer value?

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Scope Boundary table

- The first Gas Markets roadmap focuses on market and system architecture issues, identifying priority challenges and evidence building projects rather than setting Government policy or legislative design

Area	In Scope – Future Market Plan (Gas Market Roadmap) Will Cover	Out of Scope – NESO Future Market Plan (Gas Markets Roadmap)
Statutory Basis	Production of the statutory **Future Market Plan** under Gas System Planner License Condition C7.2–C7.4, including actions, projects, plans, delivery routes and stakeholder engagement.	Amendment of primary legislation (e.g. changes to the Gas Act 1986) – Parliamentary process led by DESNZ.
Security of Supply & Market Adequacy	Assessment of market mechanisms related to security of supply against declining demand; storage adequacy; resilience; gas–power interdependency; identification of potential market and code reforms.	Setting Government security policy or mandating specific infrastructure build decisions.
Transitional Costs & Charging	Analysis of throughput decline impacts; cost recovery risks; competition implications; regional divergence; options for market reform and charging evolution.	Setting price controls, determining allowed revenues, or approving funding mechanisms (Ofgem responsibility) or who should pay.
Emerging Markets (Hydrogen & Low-Carbon Gases)	Market implications required to integrate hydrogen blending (transmission and distribution), certification, and biomethane arrangements; operability impacts; system value considerations; identification of potential pathways (codes/licenses).	Determining hydrogen production volumes, business models, subsidy allocation (e.g. HAR, LCHA), or heat policy decisions (DESNZ responsibility).
Competition & Market Function	Assessment of impacts on competition, liquidity, market access and entry/exit arrangements; recommendations to ensure competitive and efficient market structures during transition.	Direct commercial intervention in market participant decisions or directing individual investment choices.
Net Zero Enablement	Identification of gas market architecture reforms required to enable legally binding emissions targets; alignment with FES and system planning scenarios.	Setting carbon budgets or determining national decarbonisation pathways (DESNZ responsibility).
Whole-System Coordination	Assessment of gas electricity interactions; alignment with RESPs work and wider whole-system planning; identification of cross-sector market reform requirements.	Determining electricity market reform or non-gas sector regulatory decisions.
Implementation Pathways	Clear articulation of required actions, projects and plans; tracking of progress since previous Future Market Plan\Gas Markets Roadmap.	Making regulatory determinations reserved to Ofgem or issuing statutory directions (DESNZ responsibility).
Stakeholder Engagement	Establishment and coordination of Gas Advisory Council/forum; structured industry engagement as required under C7.4.	Replacing formal Government consultation processes or regulatory statutory consultations.

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Gas Market Roadmap

Draft gas market roadmap, supported by three GAC projects.

2026	2027	2028	2029	2030	Post-2030
GMR **2026**	**Immediate focus**	GMR **2028**	**medium term horizon**	GMR **2030**	**Long term direction decisions and questions**

Gas Market Transition

How costs, charging, regulation and network transition issues evolve as gas demand declines.

- **Charging Resilience Stress Testing**
- **Exploratory Disconnections Assessment**
- **Decommissioning Processes Assessment**

How do we approach gas costs, regulation and depreciation for an anticipated declining consumer/user base?

How will future gas charging arrangements need to adapt to the energy transition?

How do we enable efficient processes and costs for gas network disconnections in any future transition?

How do we approach the costs and frameworks involved in any future decommissioning or repurposing?

Market Resilience

How gas market arrangements remain secure, resilient and investable as production declines and imports rise.

- **Capacity Market**
- **Gas and Power Market Fundamentals**
- **GAC project: Hydrogen Blending, offtake**
- **GAC project: Gas Storage, Gas System in Transition**

Strategic direction on the supply mix and any policy intervention to support markets

Understanding operational market design changes required to ensure markets remain fit for purpose

Emerging Markets

How frameworks evolve as gas increasingly interacts with biomethane, hydrogen, CCUS and wider cross-vector developments.

- **GAC project: Post GGSS framework**
- **Long-term biomethane market requirements**
- **Role of certification**
- **H2 offtaker and production review**

Understanding the role and scale of uptake of biomethane

Understanding the scale and role of hydrogen in UK energy Mix

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Future EMAC topics

Monica Collings (Chair)

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Thank you

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