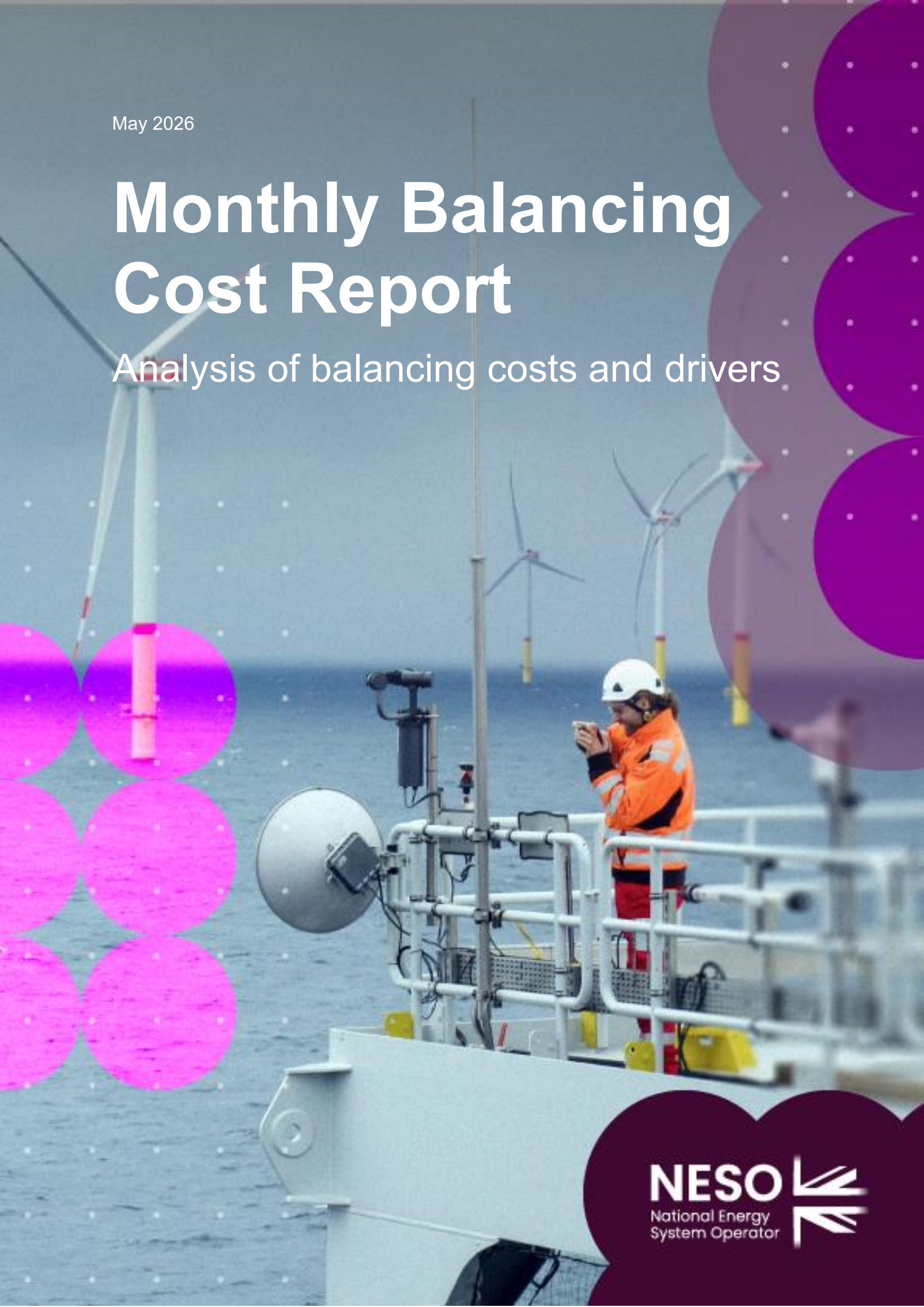
May 2026

Monthly Balancing Cost Report

Analysis of balancing costs and drivers



NESO
National Energy System Operator

Monthly Balancing Costs Report – May 2026

Executive Summary

The total balancing cost for May was £230m, which is £32m (~12%) below the benchmark of £262m.

Following the trend of lower wind outturn from March to April, we continued to see a reduction in May down from 5.6TWh to 4.4TWh with the greatest reduced region being England and Wales. May overall was a month of two halves, with the first two weeks seeing unsettled weather with below average temperatures and the second half of the month seeing record-breaking heat, with very few high wind days seen in May across the UK.

Warmer temperatures, longer daylight hours and school/bank holidays resulted in a significant reduction in demand levels throughout the day in May compared with April but remained similar to May 2025. May saw some high-cost days due to ongoing outages applying pressure to constraints in the North of England which is reflected in the increase in constraint cost in England &Wales.

As of the 20 May there have been short term interconnector restrictions from European TSO's restricting our total volume of trades in opposite direction to the Day Ahead schedule on each Interconnector to a maximum of 300MW and total cap across all affected interconnectors of 1500MW. This is expected to impact the number of actions required to be taken on BM Units to manage the GB Energy Network. This is a short-term measure that is in place until the end of the year when a long-term solution is planned. NESO does not have concerns this will impact electricity system security, and we are monitoring the financial impacts of these restrictions . For further information please see our market notice on our webpage here.

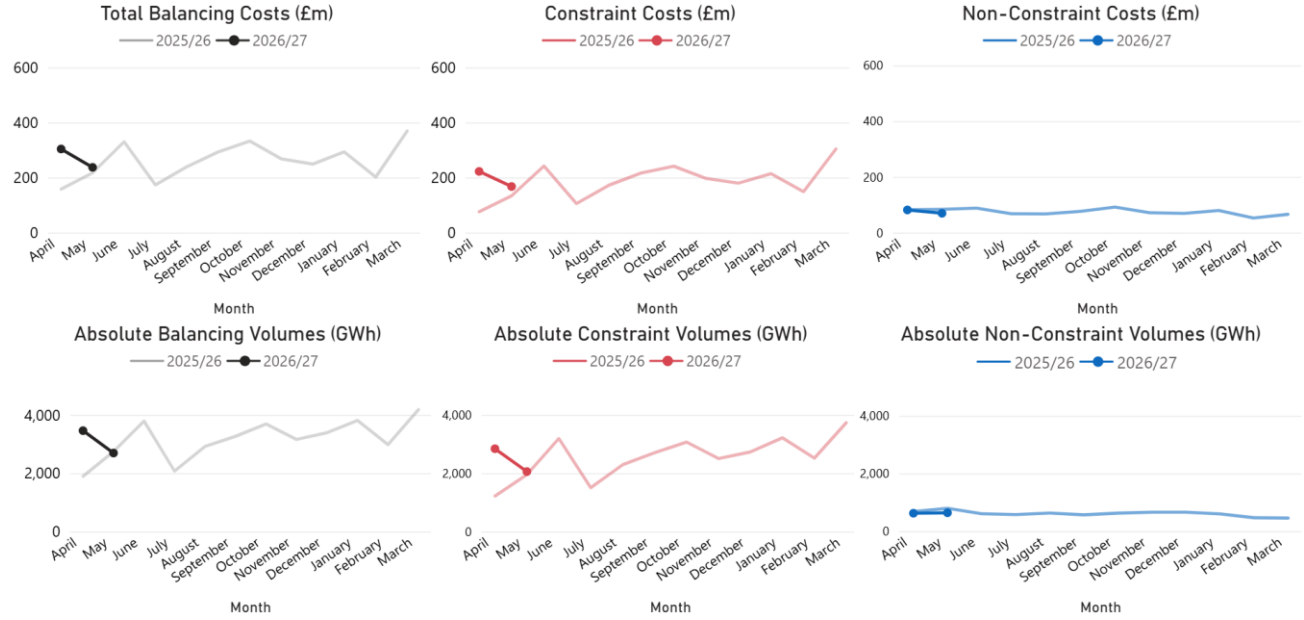
Voltage constraints increased since April to £34m from £22.1m. This is due to the lower demand on the system this month meaning there were less self-dispatching units that provide reactive power support. This meant more synchronous units were procured through the Balancing Mechanism, with the highest volumes in the southwest. For the same reasons as the voltage cost increase there was an increase spend on inertia compared with March.

Non-constraint costs have reduced from £81.4m to £61.5m. This is characterised by lower spending on Reserve and Response services compared to April. The volume of non-constraint

actions has remained very similar to April; however, lower prices seen for Response services, DC/DM/DR has resulted in this lower spending.

Wholesale electricity prices increased from April to May 2026 primarily due to higher gas prices and reduced renewable generation, particularly lower wind output. April prices had been suppressed by unusually high solar generation and low demand, including periods of negative pricing. The volume weighted average (VWA) price of bids in May was -£24.03/MWh, which is less expensive than April's price which was -£8.72/MWh. This positive bid price reflects that most of the bid actions taken were on other fuel types than wind, with May being the first month in 2026 where Bid actions on wind were less than 50% of the actions at 45%. CCGT Bids took up the second most amount at 18%. The volume weighted average (VWA) price of offers increased to £162.33/MWh from £139.33/MWh in line with the rise in power and gas prices.

Total Balancing Costs (£m) and Balancing Volume (GWh) monthly vs previous year



Contents

Table: 2026-27 Monthly breakdown of balancing cost benchmark and outturn

All costs in £m	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Unconstrained Wind Penetration	0.21	0.15											0.18
Day Ahead APX (£/MWh)	82.5	104.8											93.65
Benchmark*	299	262											561
Outturn balancing costs[1]	**304**	**230**											**534**

Previous months' outturn balancing costs are updated every month with reconciled values. Figures are rounded to the nearest whole number, except outturn wind which is rounded to one decimal place.

For more information on our balancing costs benchmark please see our monthly incentives reporting.

[1] Outturn balancing costs exclude Winter Contingency costs for comparison to the benchmark as agreed with Ofgem. However, in the rest of this section we continue to include those costs for transparency and analysis purposes.

What is NESO doing to help reduce Balancing Costs?

NESO is continually identifying opportunities to minimise balancing costs. We are working closely with DESNZ, Ofgem and industry to explore, develop and assess cost saving initiatives and enhance existing services from our Balancing Cost Strategy to support lower costs.

Thermal constraints currently make up the largest share of balancing costs (~60%). The Government's Summer 2025 Review of the Electricity Market Arrangements (REMA) set out the decision to move forward with RNP. Through this programme, we're working with DESNZ and Ofgem to prioritise and progress constraint management initiatives with the greatest potential for cost reduction, while ruling out less effective options. We are also working closely with Network Operators and other industry participants to optimise outage placement and drive improvements to the overall planning process - enabling system access for vital reinforcement work, whilst driving down the cost of thermal constraints.

As part of the Balancing Cost Strategy, we are also progressing initiatives to further reduce non-thermal constraint costs through strategies to manage voltage and inertia. Between April 2025 and March 2026, we delivered £536m in savings across key initiatives. These savings are calculated by comparing the cost of actions taken through these initiatives with known counterfactuals (which in most cases is taking equivalent actions in the BM). This includes £128m from Network Services, £207m from trading actions, and £164m from reduced inertia requirements under FRCR. £37m in further savings have also been delivered through DFS and Balancing Reserve.

For further details on ongoing work to reduce balancing costs please see our latest Annual Balancing Cost Report.

NESO Operational Transparency Forum: High-cost days and balancing cost trends are discussed every week at the Operational Transparency Forum to give ongoing visibility of the operability challenges and the associated NESO control room actions. It also gives industry the opportunity to ask questions to our System Operations panel. Details of how to sign up and recordings of previous meetings are available here.

If you would like to find out more about balancing costs and our initiatives, visit the balancing costs website here; or click on the links below:

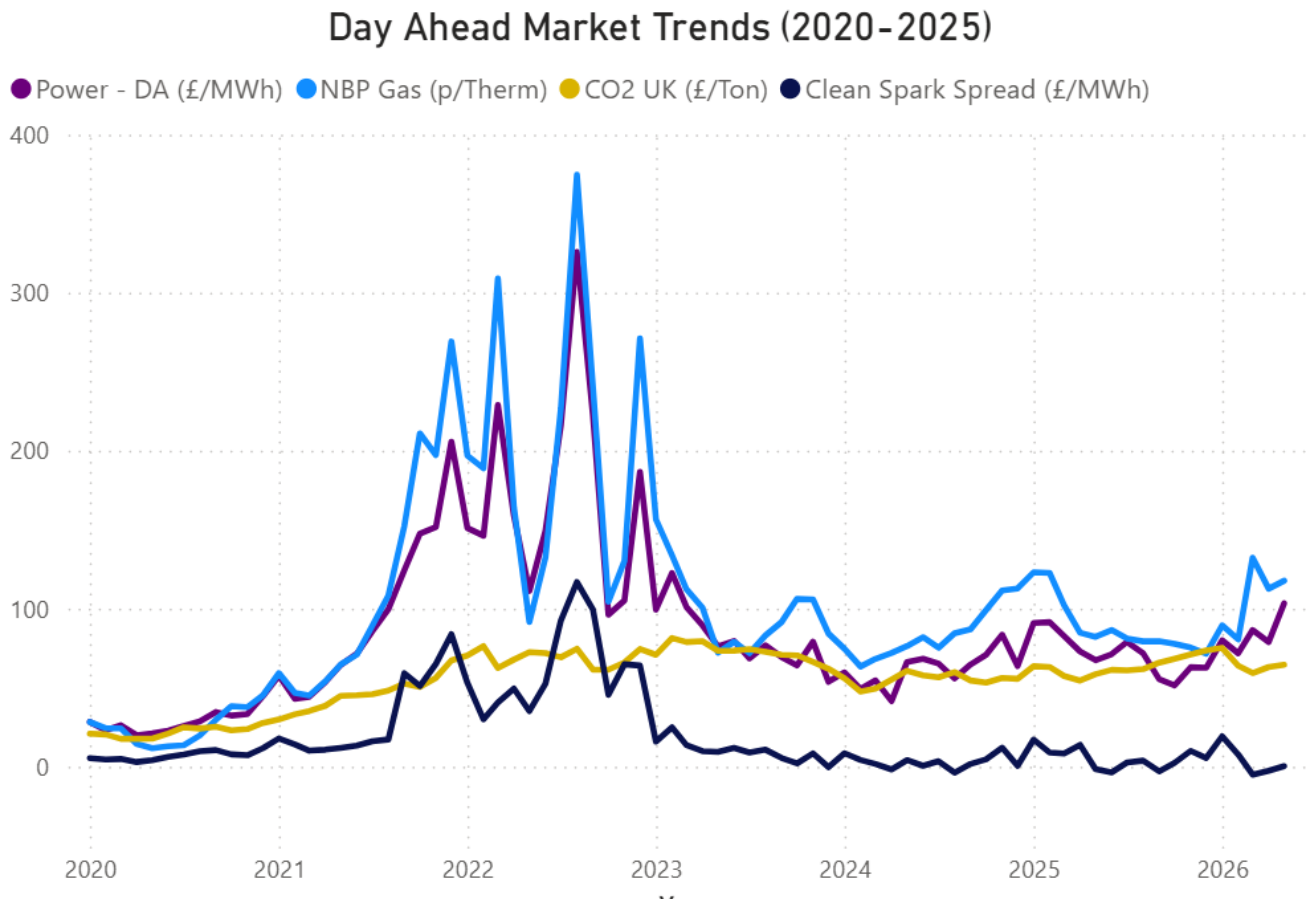
- Annual Report
- Portfolio
- Performance Reporting

System and Market Conditions

Market trends

In May, power and gas prices rose slightly compared to the previous month which had dropped from the previous month due to heightened geopolitical uncertainty following the closure of the Strait of Hormuz. Prices increased to £103.35/MWh and £117.63/therm. Carbon prices saw a marginal increase to £64.49/ton from £63.02/ton.

Wholesale electricity prices increased from April to May 2026 primarily due to higher gas prices and reduced renewable generation, particularly lower wind output. April prices had been suppressed by unusually high solar generation and low demand, including periods of negative pricing. The volume weighted average (VWA) price of bids in May was -£24.03/MWh, which is less expensive than April's price which was -£8.72/MWh. This positive bid price reflects that most of the bid actions taken were on other fuel types than wind, with May being the first month in 2026 where Bid actions on wind were less than 50% of the actions at 45%. CCGT Bids took up the second most amount at 18%. The volume weighted average (VWA) price of offers increased to £162.33/MWh from £139.33/MWh in line with the rise in power and gas prices.



DA BL: Day Ahead Baseload **NBP DA:** National Balancing Point Day Ahead

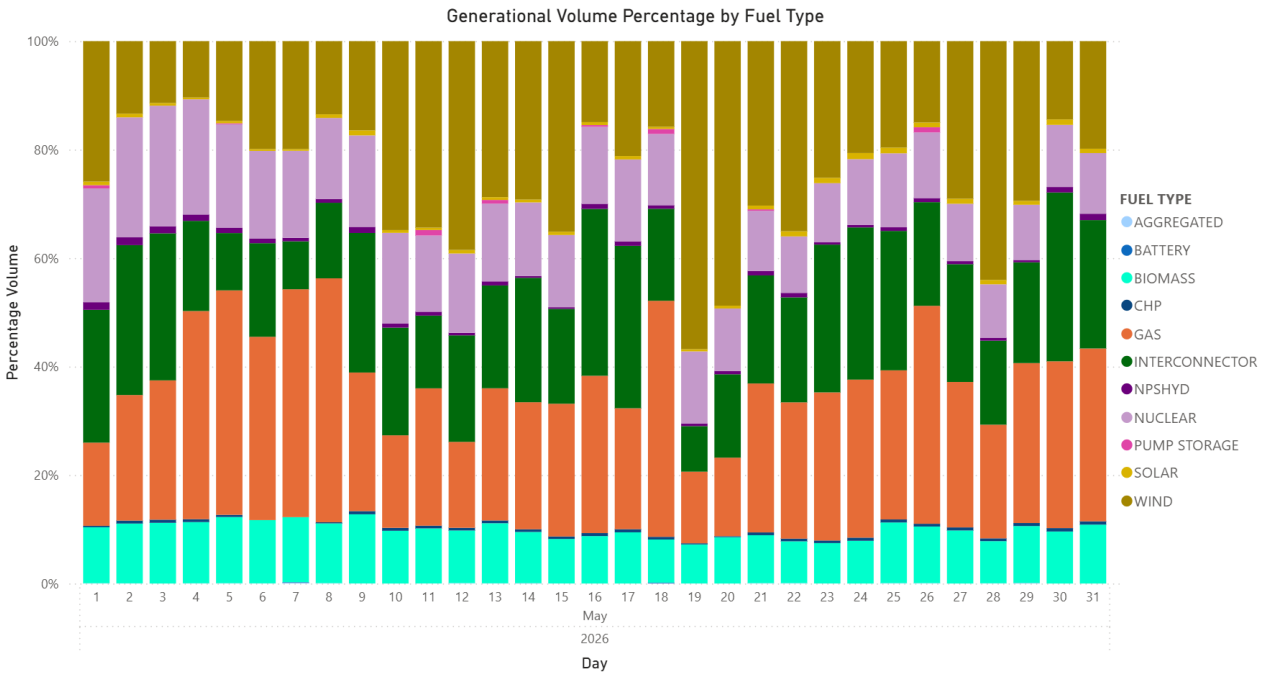
Generation Mix

In May, Gas was the largest contributor to electricity generation, making up 28% of the total mix. This was followed by Wind at 25.60% and Interconnectors at 20.1%. This pattern is a change from the previous Month with lower wind generation seen and a higher use of Gas units which likely comes from an increase in actions to instruct synchronous generators to turn on and provide voltage support for the Energy System.

The chart below shows the daily generation mix. Comparing May to April we have seen significantly lower numbers of high wind generation days with only 1 day surpassing 50% of the generation coming from Wind sources compared to 4 days in April.

There were 14 days throughout the month where gas was the most substantial generation type with a number of these days coinciding with low demand periods where NESO typically need voltage support on the system.

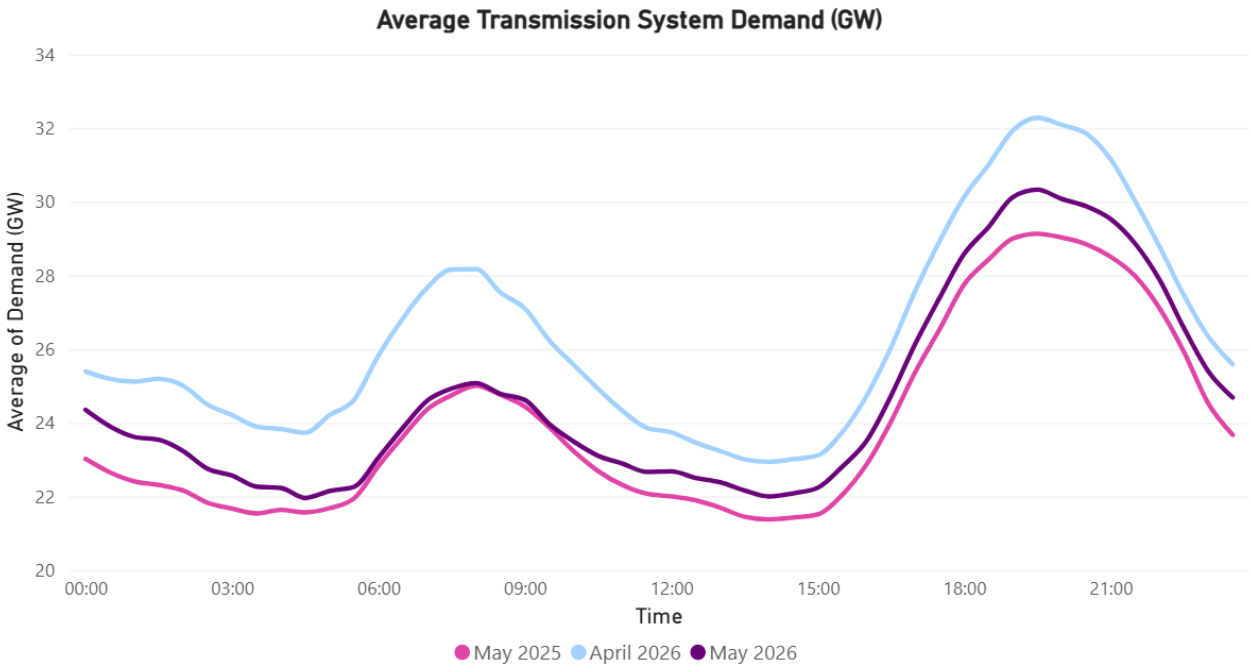
*Generation mix includes exports from interconnectors.



Transmission System Demand

In May 2026, the average Transmission System Demand (TSD) was lower throughout the day compared with April, which is to be expected as we saw temperatures rise, longer days and an increase in solar generation. The higher levels of embedded solar generation (reducing the reliance on the transmission system) alongside lower heating demand can be reflected in the lower demand observed during daylight hours.

May 2026 and May 2025 were very comparable months for average TSD with 2026 having a slightly higher average throughout the day which is likely linked to lower wind conditions decreasing the impact from embedded wind.

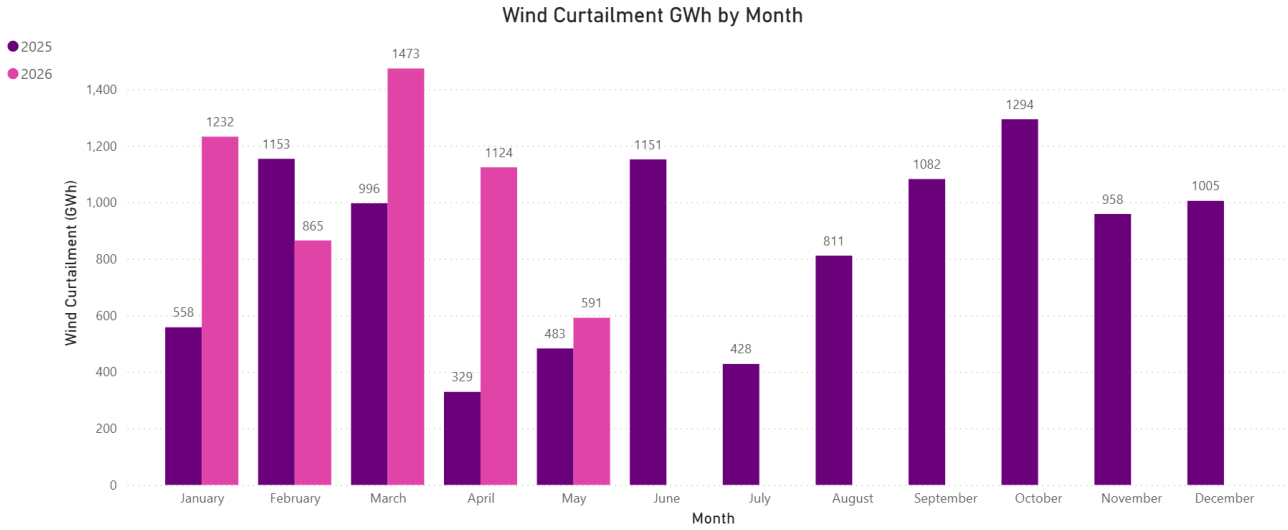


Wind Outturn

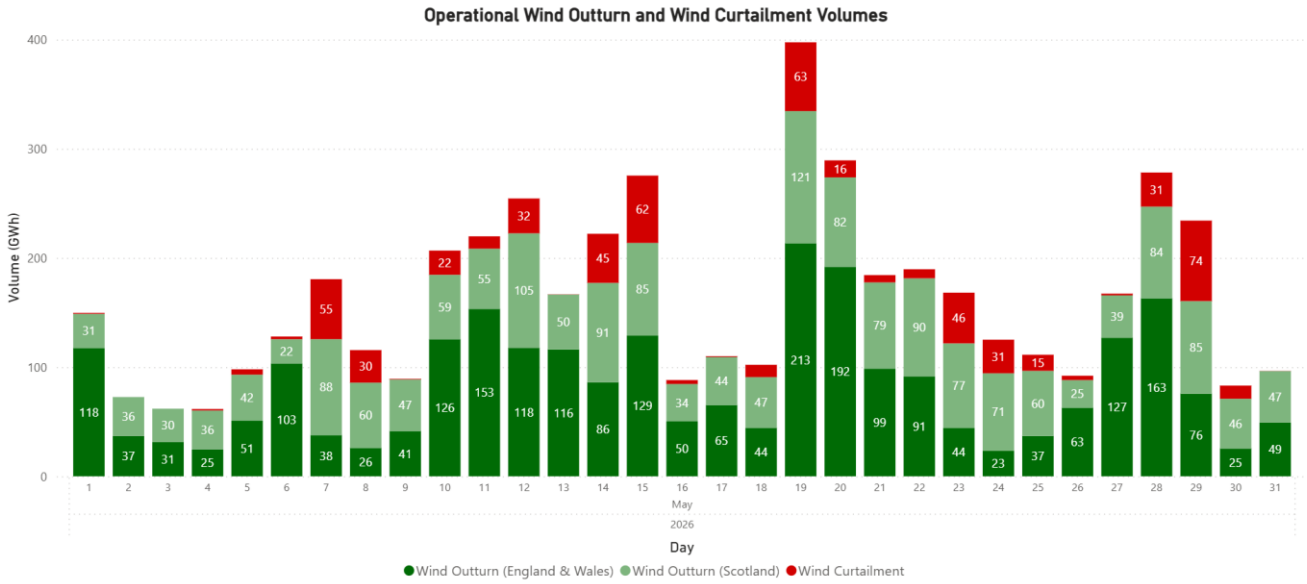
May typically had very mild conditions for wind outturn, with a high number of lower wind outturn days, but there was still some variation. Only one day stood out as a high wind outturn day on the 19th May at 334 GWh of wind outturn.

May had a similar level of outages taken as with April, and we saw similar boundary capacities month on month. Combined with the mild weather conditions, this resulted in a lower volume of wind curtailment compared to April with 591GWh, compared to April at 1,124 GWh.

Overall wind outturn dropped from 5.7 TWh in April to 4.4 TWh in May, with a 28% decrease in England & Wales (from 3.6 TWh to 2.6TWh) and a 5% decrease in Scotland (from 2 TWh to 1.9 TWh) compared to the previous month, giving a 16% decrease overall. There was a 45% decrease in the volume of wind curtailment, which follows given the decrease in hypothetical wind outturn since last month.



The day with the highest volume of wind curtailment occurred on Monday 29 May with 74 GWh. There was a total wind outturn of 160 GWh on this date, which is not particularly high, with 12 days this month having higher outturn, however it does align with the bank holiday which typically has very low demand on the system.

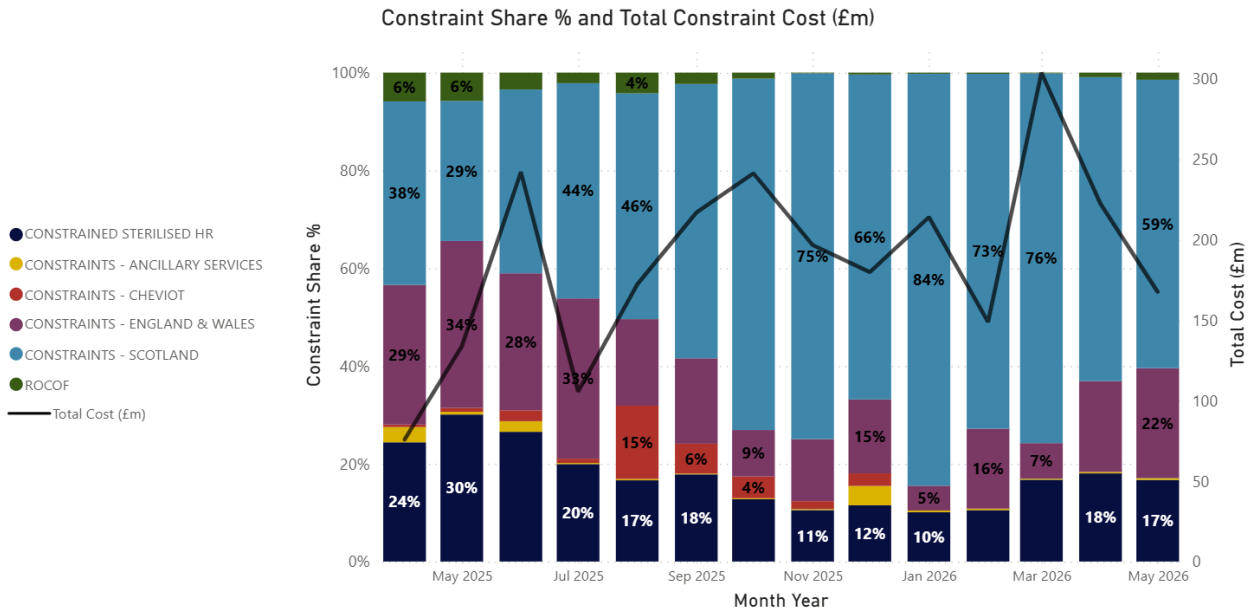


Constraints

Constraint costs decreased from £222.4m in April to £167.6m in May, a decrease of £54.8m. Constraint Sterilised HR and RoCoF are two categories where total spend increased by £12m and

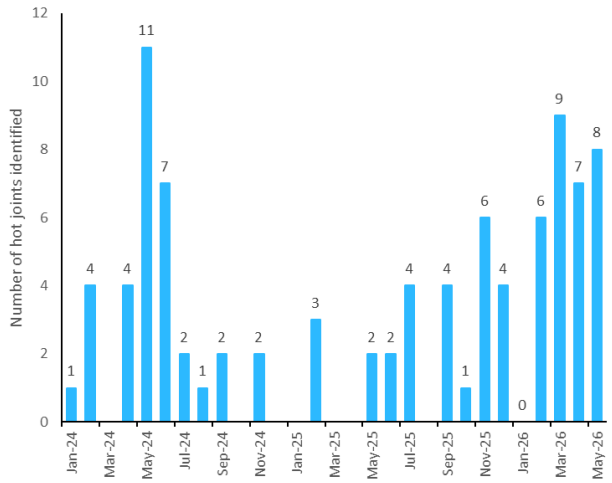
£400k respectively. All other categories decreased in constraint spending with Scottish Constraints reducing the most by £39m.

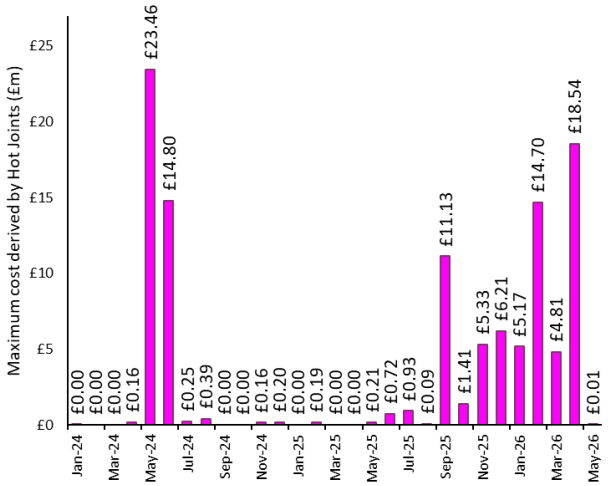
Wind conditions dropped this month, which helped to manage the lower demand periods throughout May with the Bank Holidays, longer days and high solar. This resulted in less constraint costs this month even though Wholesale prices increased.



Network Availability

Hot joints refer to transmission equipment that tends to overheat during normal operational conditions. Transmission Owners are responsible for notifying NESO of any service reductions associated with this equipment. Hot joints in the system have both operational and economic impacts. In May 2026, eight hot joints were identified: three in the south-east of England (close to Grain and Kingsnorth), three in west Midlands (close to Cellarhead), one in the north-east of England (close to Lackenby) and one in the north-west (close to Connah's Quay). The hot joints had low impact as they were resolved through network reconfiguration. There is no estimated cost as no operational constraints were impacted.



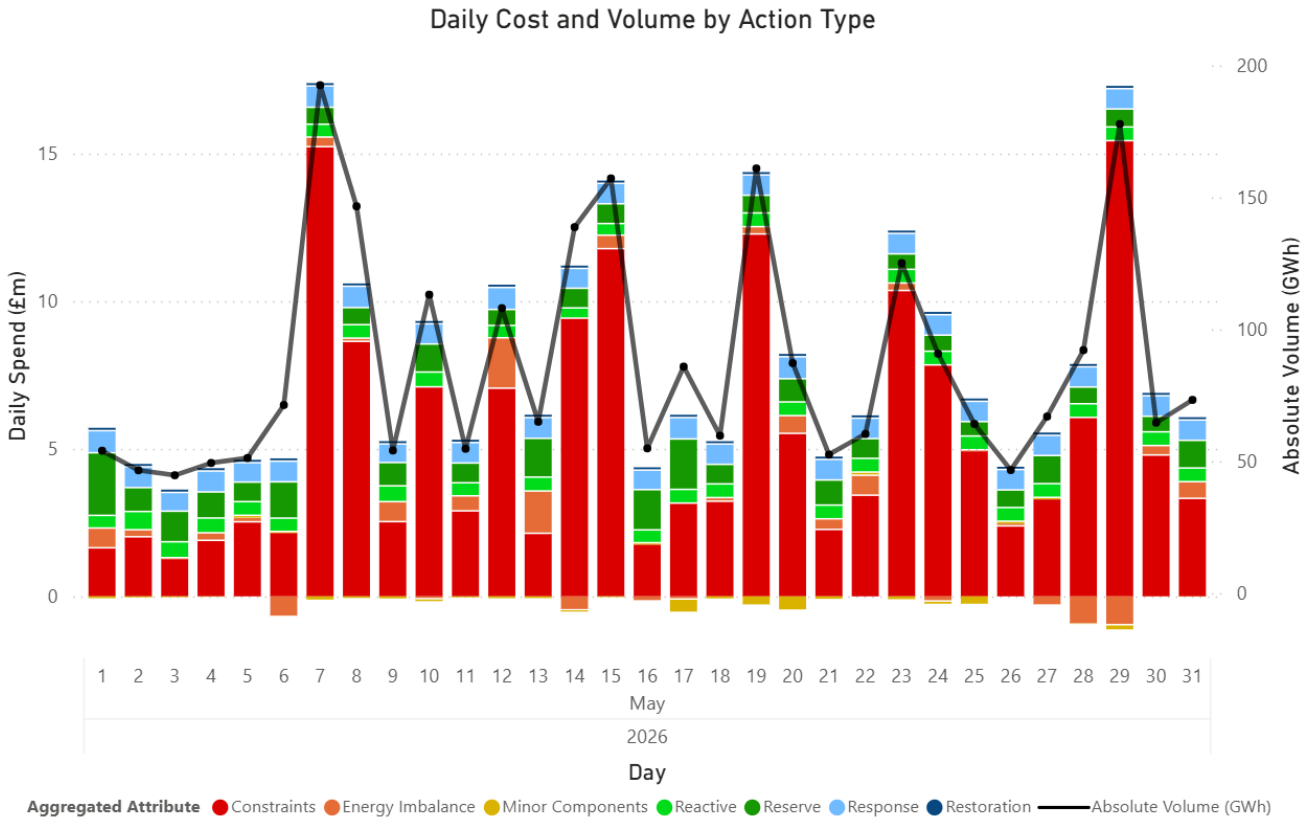


Daily Costs Trends

May's Balancing Costs were £230m which was a decrease of £74m from April but an increase of £13m from last May. Just two days in May had a total cost spending above £15m (7 and 29) which was fewer than the 6 days in April. There was a further 6 days above £10m (8, 12, 14, 15, 19, 23) one day less than April. The daily average cost decreased from £10.1m to £7.7m, a significant decrease of around 24%.

The highest cost day was Monday 7th May with a total cost of £17.1m around 90% of which came from Constraints and around 88% of costs on this day specifically from thermal constraints. With Scottish boundaries having significantly low capacities throughout May, operating around 60% of their maximum capacity, through periods of high wind outturn these required management. Along with some BM System Performance issues occuring in the evening which resulted in some higher priced Bids being accepted driving costs up on the day.

The lowest costing day was on the 3rd May with a total cost around £3.4m. This coincides with a day of no wind curtailment along with very low wind outturn. We also saw this trend consistently throughout the month with low wind days resulting in low costs.



High-Cost Day

The highest cost day of the month was the **7th May 2026.**

Breakdown of Cost and Volume

- Total cost: £17.1m
- Total Absolute Volume: 192.5GWh

Balancing Costs detailed breakdown

Comparison Between May 2026, April 2026 and May 2025

Constraint Non-Constraint Group	Latest Month Total	Month Change	Year Change
Constraints	**£168.52**	**-£53.83**	**£34.77**
CONSTRAINED STERILISED HR	£28.97	-£11.12	-£11.25
CONSTRAINTS - ANCILLARY SERVICES	£1.70	£1.07	£0.96
CONSTRAINTS - CHEVIOT	£0.00	£0.00	-£1.06
CONSTRAINTS - ENGLAND & WALES	£37.58	-£3.73	-£8.11
CONSTRAINTS - SCOTLAND	£97.95	-£40.32	£59.64
ROCOF	£2.32	£0.27	-£5.42
Non-constraints	**£61.55**	**-£19.85**	**-£22.15**
ENERGY IMBALANCE	£6.90	£0.71	£1.70
FAST RESERVE	£7.04	-£4.47	-£2.89
MINOR COMPONENTS	-£2.62	£1.71	-£6.56
NEGATIVE RESERVE	£0.81	-£0.17	-£0.02
OPERATING RESERVE	£9.78	-£6.52	-£3.72
OTHER RESERVE	£1.83	£0.26	£1.15
REACTIVE	£13.04	-£1.10	-£1.07
RESPONSE	£16.48	-£7.53	-£9.98
RESTORATION	£3.86	£0.24	-£1.24
STOR	£4.44	-£3.00	£0.50
Total	**£230.07**	**-£73.68**	**£12.62**

**Note – As of 2026 Cheviot constraint costs are included under Scotland constraint costs*

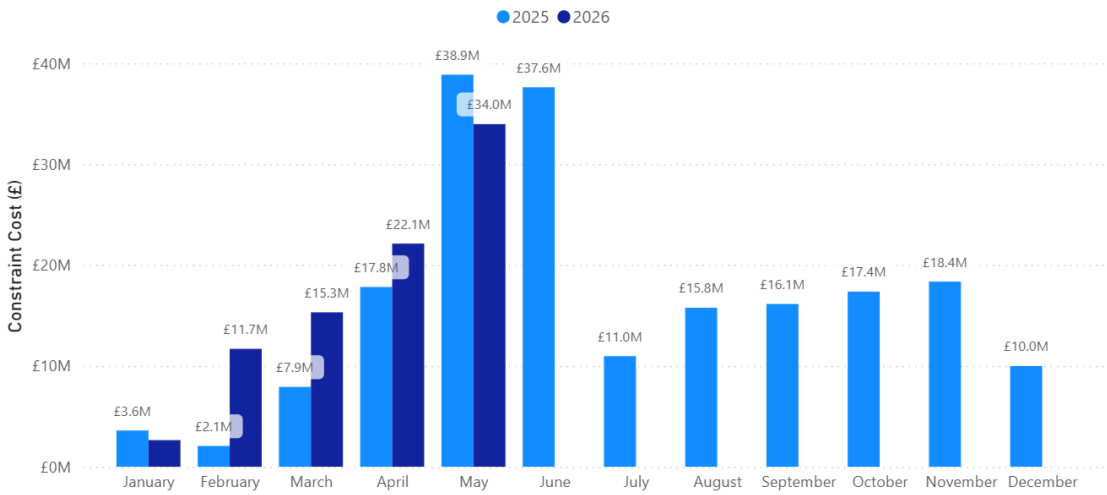
As shown in the totals from the table above, constraint costs decreased by £53.8m and non-constraint costs decreased by £19.9m which results in an overall decrease in costs of £73.7m compared to April 2026.

Constraint Costs/Volumes

Comparison versus previous month	Comparison versus same month last year
Constraint-Scotland & Cheviot: -£40.3m **Constraint – England & Wales: -£3.7m** **Constraint Sterilised Headroom: -£11.1m** Overall constraint costs decreased by £53.8m, which coincided with a decrease in the absolute volume of actions taken. This was due to lower unconstrained wind outturn this month which led to lower wind curtailment even alongside low demand.	**Constraints – Scotland & Cheviot: +£58.6m** **Constraints – England & Wales: -£8.1m** **Constraints Sterilised Headroom: -£11.3m** Constraint costs across GB have increased by £34.8m compared to May 2025, largely driven by lower demand year on year, with similar renewable generation which has resulted in more actions taken to manage thermal constraints, along with similar levels of voltage and inertia spending.

Voltage – Monthly system cost of synchronisation actions for voltage control across 2025 and 2026:

In May, the system synchronisation costs for voltage (what it costs to the system, which factors in energy replacement and headroom among others) were £34m. This represents an increase of approximately £11.9m compared to April 2026 and is £4.9m lower than the same period last year (May 2025).



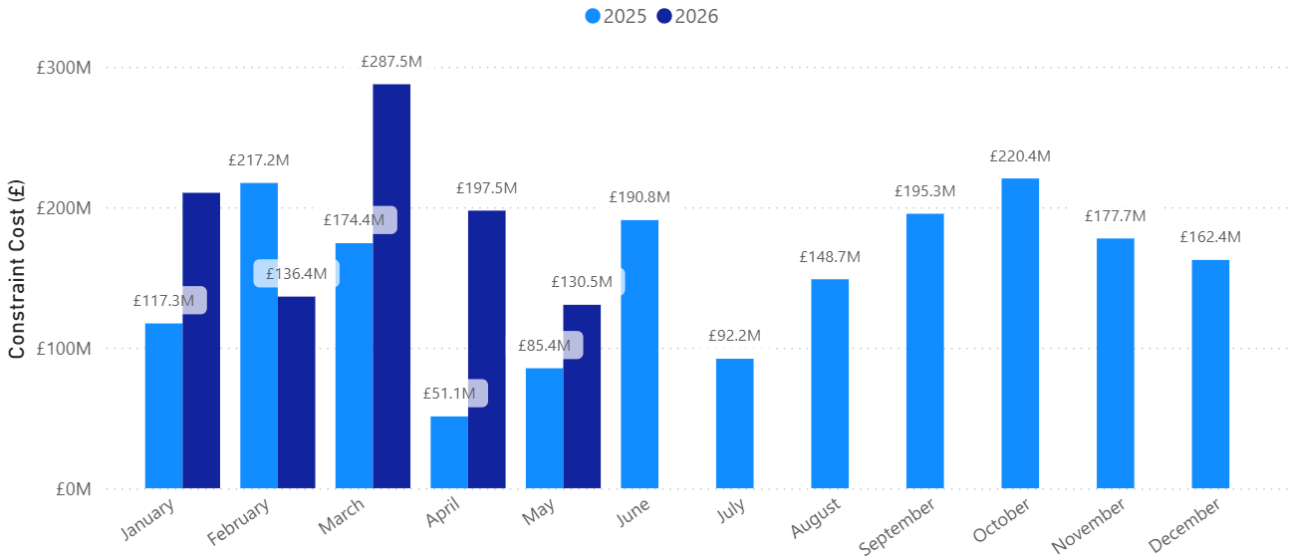
Voltage spending is usually higher overnight: lower demand means that some synchronous units (mostly CCGTs) that usually provide reactive support are not self-dispatched, which forces NESO to procure those services through the Balancing Mechanism.

Most voltage costs arise from the South-West region of Great Britain, where the system relies on Combined Cycle Gas Turbines (CCGTs) for voltage management; however the system operational condition and outages in other areas also influence the system spending. Due to lower demand this month, there were fewer self-dispatched synchronous units that provide reactive support available on the system. This forces NESO to procure these services through the Balancing Mechanism which results in higher spend on voltage constraints.

Some units that would have provided reactive support out of service which drove up the absorption requirement and therefore contributed to the high spend on voltage.

Thermal – Monthly system cost of actions for thermal management across 2025 and 2026:

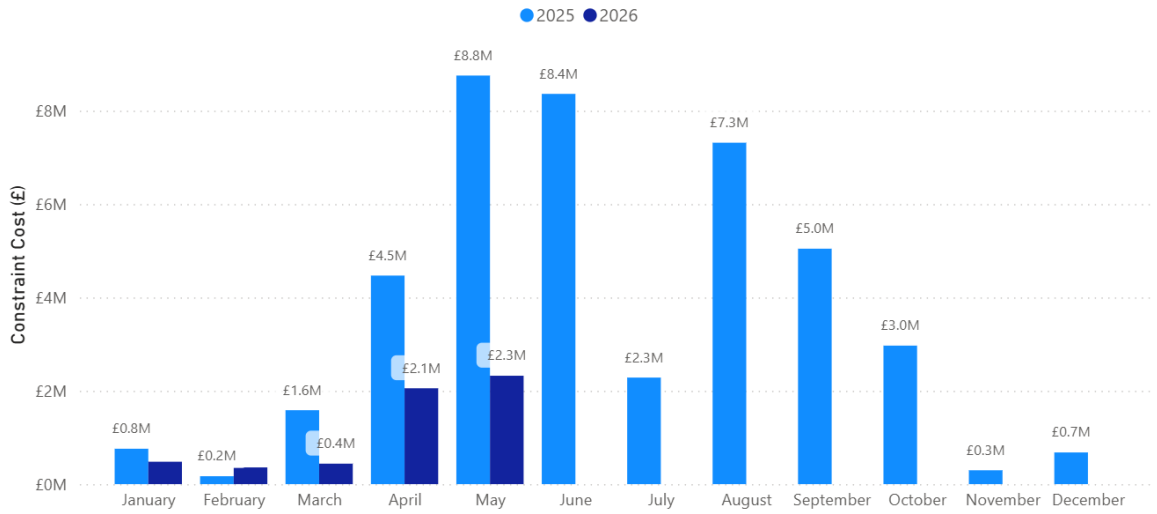
In May, the system thermal constraint cost (which includes factors such as energy replacement and headroom) amounted to £130.5m, reflecting a decrease in costs of over £67.5m compared to the previous month (£197.5m). When compared to the same period last year (£85.4m in May 2025), the cost rose by £45.1m.



May 2026 saw a drop in wind curtailment compared with April as we saw lower wind conditions, the low wind outturn this month is in proportion to the drop in thermal constraint costs and reflects in the lower constraint costs this month.

Inertia / ROCOF – Monthly system cost of actions for inertia management across 2025 and 2026:

In May, the system inertia constraint cost (which includes factors such as energy replacement and headroom) amounted to £2.3m, resulting in an increase of £200k compared to April 2026 and £7.5m lower than May 2025.



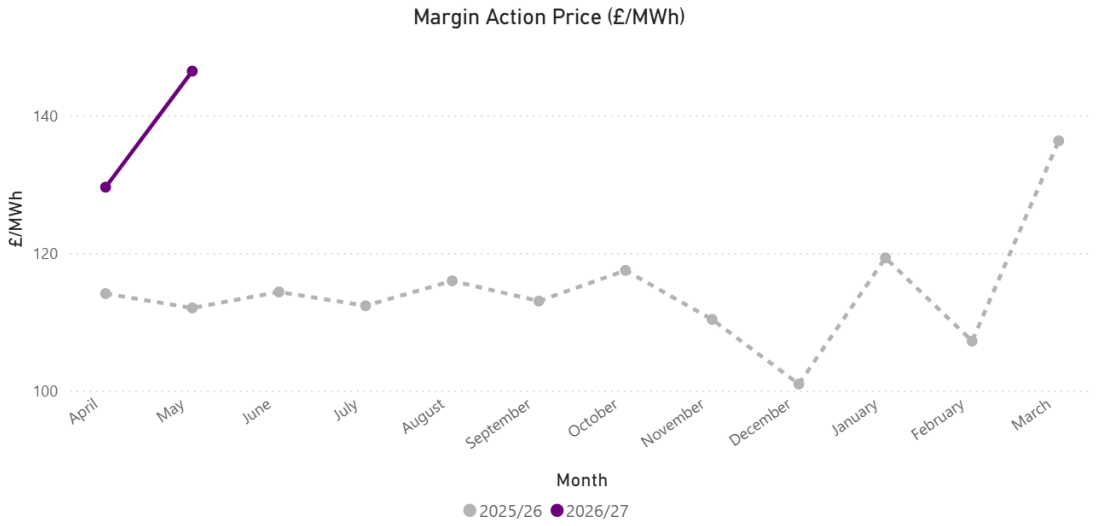
The inertia expenditure rose in May compared to April due to the same reasons for increased spending on voltage constraints. This is expected as we move further into the summer period where we see lower demand and higher renewable generation (particularly solar). This means that there would be fewer self-dispatching units available to provide inertia on the system. As a result, additional units would be required to manage system inertia leading to higher costs this month.

Reactive Costs/Volumes

Comparison Versus Previous Month	Comparison Versus Same Month Last Year
-£1.1m Reactive costs have decreased on last month reflecting a decrease in the volume of actions taken.	**-£1.1m** Reactive costs have decreased on last year reflecting a decrease in volumes of reactive power required to maintain voltage.

Reserve Costs/Volumes

Reserve prices increased to £146.5/MWh in May from £129.6/MWh in April 2026, breaking the downward trend witnessed last month.



Comparison Versus Previous Month	Comparison Versus Same Month Last Year
Operating Reserve: -£6.5m **Fast Reserve: -£4.5m** There was a 396 GWh decrease in volume of operating reserve to secure the system compared to April.	**Operating Reserve: -£3.7m** **Fast Reserve: -£2.9m** There was a 170 GWh increase in the volume of operating reserve required to secure the system compared to May 2025.

Response Costs/Volumes

Our Dynamic Services for response, Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) continue to benefit from more competitive and more liquid markets and the continued development of the Single Market Platform.

Comparison Versus Previous Month	Comparison Versus Same Month Last Year
-£7.5m	**-£10.0 m**

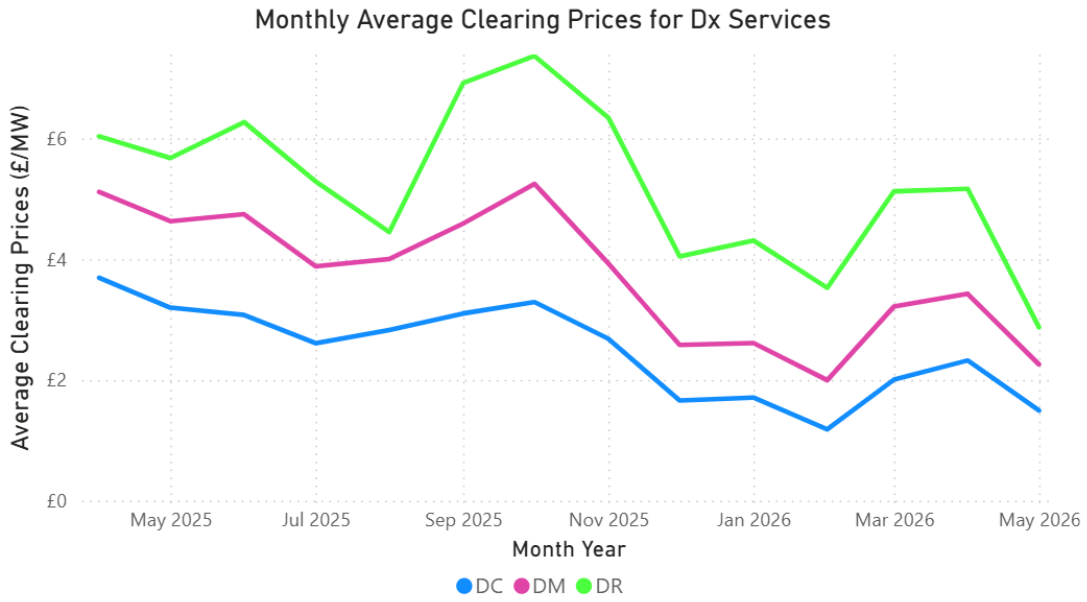
There was an 8 GWh increase in the absolute volume of actions compared to March. Clearing prices for DC, DM, DR services were all lower this month than last.	The volume of actions taken for response decreased by 89 GWh compared to May 2025. Clearing prices for DM and DR were lower in May 2026.

Comparison Between May 2026, April 2026 and May 2025

Service	Monthly Variance	Yearly Variance
DC	-£0.8	-£1.7
DM	-£1.2	-£2.4
DR	-£2.3	-£2.8

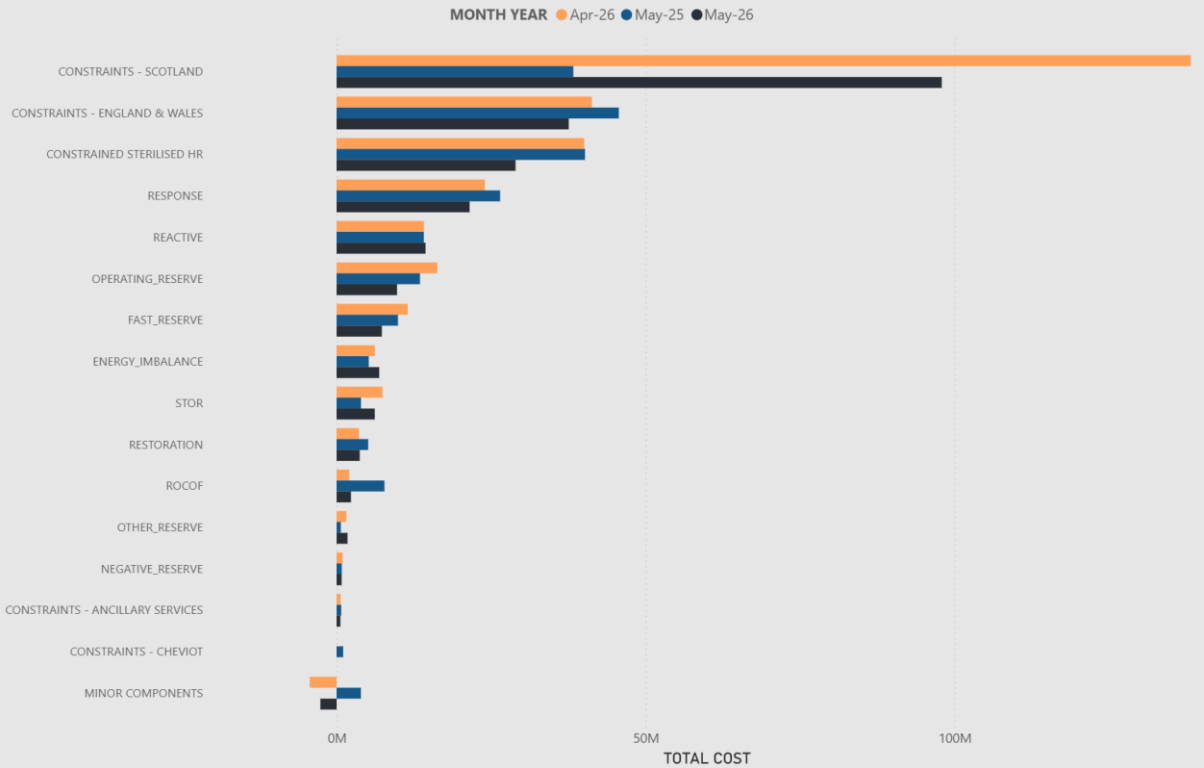
Average clearing prices for Dynamic Containment (DC), Dynamic Moderation (DM), and Dynamic Regulation (DR) decreased in May. This increase is driven by higher inertia levels due to lower solar and wind generation compared to April. This results in a lower level of procurement for these services which brings prices down.

Compared to May last year, all three dynamic services have seen a decrease in average clearing prices.



Comparison breakdown

The graph below provides a breakdown of cost components compared to the previous month and previous year.



Cost Savings

Outage Optimisation

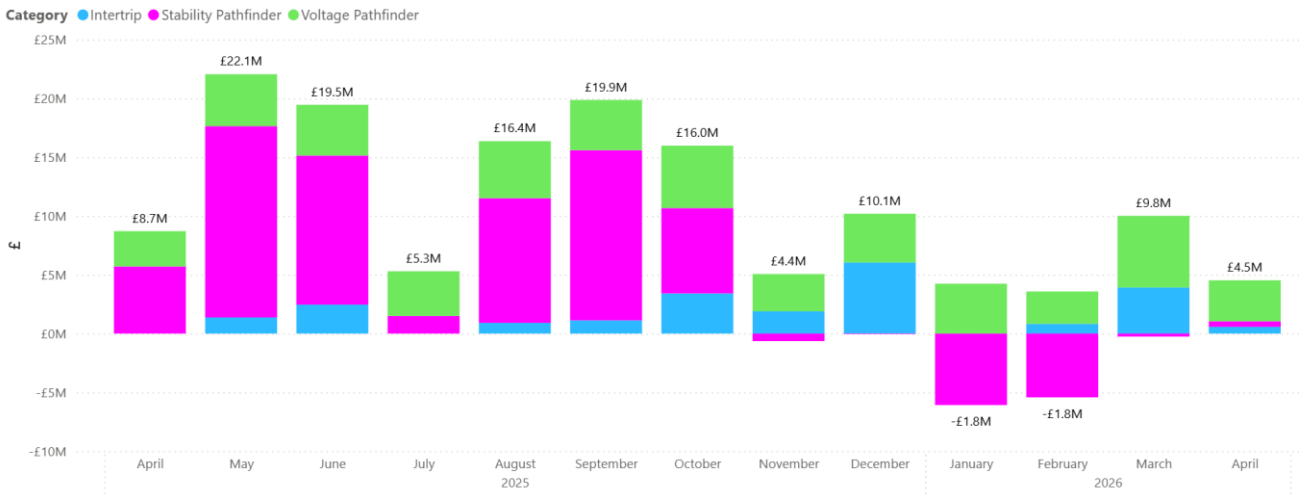
Th total savings from outage optimisation were approximately £98.6m in May 2026. This is an increase of roughly £47.4m relative to April 2026 (£51.2m). The most valuable action related to a proposed running arrangement in the South West, which avoided the need for additional generation to secure voltage following a post-fault scenario. The cost saving for this action is estimated at £16m.

Trading

The Trading team were able to make a total saving of £11.6m in May through trading actions as opposed to alternative BM actions, representing a 60% increase on the previous month and the highest trading savings seen since January. There was a small increase in savings from margin trades compared to April, with sell trades forming the majority of trading actions. This was driven by low demand, with record high May temperatures affecting demand along with high peaks from solar generation. There were also increases in trading for voltage support due to low demand. On the 20th May new restrictions on interconnector trading were implemented, limiting the volume of trading that can take place at the intraday stage which we expect to change the number of actions taken in the BM. The day with the greatest trading savings was on 17 May at a cost of £1.9m with the greatest savings being made for downwards regulation. The day with the greatest spend on trades was 7 May at a cost of £4.2m with the greatest component being for margin.

Network Services

We are using Network Services to implement solutions to operability challenges in the electricity system. This includes the Constraint Management Intertrip Service, and Voltage & Stability pathfinders. We have calculated that the B6 and EC5 Constraint Management Intertrip Services, Voltage Mersey, Voltage Pennines, and Stability Phase 1 have delivered approximately £133.1 m in savings across 2025/26 to date (April 2025 – April 2026).



Further information

For further information please see our balancing costs website.

Appendix

Types of constraint costs

Voltage Synchronisation Costs

Synchronisation costs are associated with specific actions required to support voltage in the system. These actions involve units that are instructed to provide MVArs and maintain voltages within SQSS limits. It is a highly location-dependent issue, so only a limited set of assets are effective in voltage support.

Inertia Costs

Inertia refers to the resistance of the system to changes in its rotational speed. Inertia is primarily provided by the rotating mass of large synchronous generators, mainly CCGTs, but also includes hydro, pumped storage, biomass, and Combined Heat and Power (CHPs), among others. The costs associated with inertia tend to be marginal in the system compared to thermal or voltage constraints.

Thermal Constraint Costs

Thermal constraints are linked to operational limitations on transmission assets due to temperature-related factors. In Great Britain, these are generally linked to highly congested areas in the Scottish region, often referred to as the B4, B5, and B6 boundaries. The expenditure on thermal constraints is highly correlated with levels of curtailment in Scotland, as well as planned or forced outages in transmission assets that limit the grid's transfer capacity. Thermal constraints constitute most of the system constraints, accounting for a significant percentage of system actions.

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